

Shaking up the business schools

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BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

JULY 18, 1959



Richard S. Leghorn: His Itek Corp. makes money figuring out how to store information.

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WILSON & CO., INC.

"ONE OF THE WORLD'S LARGEST MEAT PACKERS"



"Nationals save us \$205,000 a year... return
68% annually on our investment." -WILSON & CO., INC., Chicago.

"We use several types of National Accounting Machines in our plants and sales branches for a variety of accounting uses. Our present investment exceeds \$300,000 and we have found our investment has been well justified on the basis of savings in salary and maintenance costs.

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life and dependability of the machines, and the ease of training and operation, have been equally important.

"We estimate that our Nationals save us \$205,000 a year, which returns about 68% annually on our investment."

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IN BUSINESS this WEEK July 18, 1959

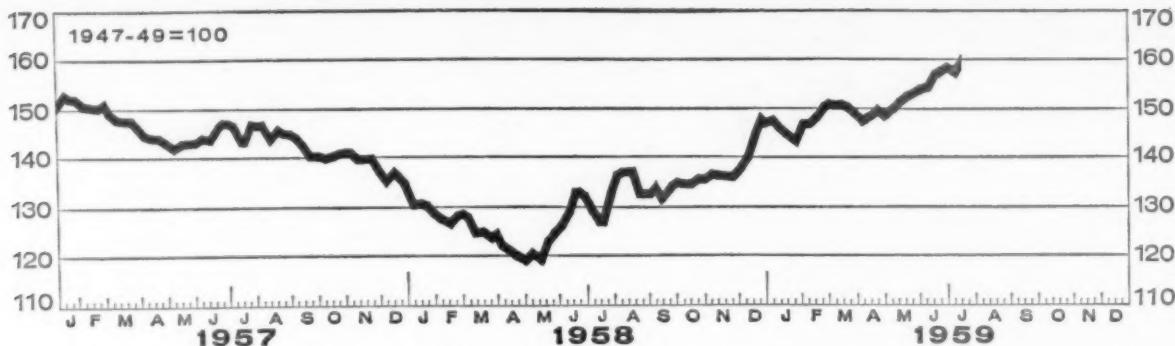
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BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
133.3	128.2	157.6	+158.7	*160.5

PRODUCTION

Steel ingot (thous. of tons).....	2,032	1,481	2,620	+2,252	N.A.
Automobiles and trucks.....	132,806	96,855	164,538	+139,829	161,331
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$97,453	\$89,752	\$90,893	\$86,563
Electric power (millions of kilowatt-hours).....	10,819	11,851	13,503	+13,124	13,502
Crude oil and condensate (daily av., thous. of bbls.).....	6,536	6,439	7,010	6,914	6,802
Bituminous coal (daily av., thous. of tons).....	1,455	1,331	1,417	+1,533	1,680
Paperboard (tons).....	247,488	133,774	330,025	275,478	180,359

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	57	64	65	66
Carloadings: all others (daily av., thous. of cars).....	47	47	50	52	46
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	102	150	118	109
Business failures (Dun & Bradstreet, number).....	198	275	295	244	237

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	412.8	396.9	389.0	388.0	384.5
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	83.6	92.3	92.3	92.3
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	89.5	82.0	80.1	79.0
Print cloth (spot and nearby, yd.).....	19.8¢	17.4¢	19.5¢	19.5¢	19.5¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	181.5	186.7	186.7	186.7
Scrap steel composite (Iron Age, ton).....	\$36.10	\$37.50	\$38.17	\$39.17	\$39.17
Copper (electrolytic, delivered price, E & M, lb.).....	32.394¢	25.540¢	31.505¢	31.410¢	30.660¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$1.79	\$1.99	\$1.90	\$1.94
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	34.90¢	34.54¢	34.19¢	33.84¢
Wool tops (Boston, lb.).....	\$1.96	\$1.67	\$1.82	\$1.86	\$1.88

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	45.33	57.04	59.74	59.69
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	4.53%	5.03%	5.05%	5.09%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2 1/8%	1 1/2%	3 1/8%	3 1/8%	4%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	57,848	54,844	57,387	**60,835	**60,316
Total loans and investments, reporting member banks.....	84,642	94,522	94,700	**103,476	**104,401
Commercial and agricultural loans, reporting member banks.....	24,180	30,125	31,856	**29,411	**29,362
U. S. gov't guaranteed obligations held, reporting member banks.....	33,275	32,337	28,453	**29,980	**30,958
Total federal reserve credit outstanding.....	26,424	26,589	27,736	28,042	28,319

MONTHLY FIGURES OF THE WEEK

	June	1953-55 Average	Year Ago	Month Ago	Latest Month
Employment (in millions).....	62.2	65.0	66.0	67.3	
Unemployment (in millions).....	2.5	5.4	3.4	4.0	
Bank debits (in billions).....	\$158.1	\$219.5	\$216.0	\$228.6	
Average weekly earnings in manufacturing.....	\$73.36	\$83.10	\$90.32	\$90.54	
Wholesale prices (U. S. Dept. of Labor BLS, 1947-49 = 100).....	110.4	119.2	119.9	119.6	

* Preliminary, week ended July 11, 1959.

† Revised.

* Not comparable with previous data. See page 45.

■ Date for 'Latest Week' on each series on request.
N. A. Not available.

THE PICTURES—Cover—George Woodruff; 23—Ed Nano; 25—(lt.) George Koshollek Jr., (rt.) Mike Shea; 26—(lt.) Chrysler Corp., (rt.) Grant Company; 30—(lt.) N.Y. Daily News Photo, (rt.) W.W.; 31—W.W.; 56—Sol Sanders; 57—(top lt. & bot.) Sol Sanders, (top rt.) McGraw-Hill World News; 68—N.B.C. Television; 69—(top row) N.B.C. Television, (bot. row) Bettman Archive; 74—Pictorial Parade; 78—George Woodruff; 101—Joan Sylow; 112—(lt.) Washington University, (cen.) University of California, (rt.) City College of New York; 113—(lt.) University of Chicago, (cen.) Georgia State College of Business Administration, (rt.) University of Pennsylvania; 123—John Coneen.



Koroseal goes around with a drip no other belt can stand

A typical example of B.F.Goodrich product improvement

THE chemical coating sprayed inside those fluorescent tubes costs too much to waste a drop. A conveying system was installed to catch the drippings and carry them to a tank for reuse. But no ordinary conveyor belt could handle the job. This strong chemical would soak into the belt, soften the cover, rot the fabric. When a B.F.Goodrich distributor heard of the problem, he suggested a belt made of Koroseal flexible material.

This B.F.Goodrich belt defies the stuff that ruins other belts—chemicals, grease, most acids, vegetable, animal or mineral oils, alkalies. The Koroseal cover is tough, resists abrasion, cracking, peeling, never gets soft or sticky. Its smooth, nonporous surface is easy to clean. And it can be vulcanized into a continuous belt, eliminating troublesome fasteners, the weak spot in most belts.

A Koroseal belt was installed as a

moving drip pan under the fluorescent tubes. That was 2½ years ago. It worked so successfully that today in this plant there are eight conveying systems of this type, using B.F.Goodrich Koroseal belts.

Your B.F.Goodrich distributor has the exact specifications for the Koroseal belt described here. And as a factory-trained specialist in rubber products, he can answer your questions about the many products B.F.Goodrich makes for industry. *B.F.Goodrich Industrial Products Co., Dept. M-635, Akron 18, O.*

Koroseal—T.M. Reg. U. S. Pat. Off.

B.F.Goodrich *industrial products*

FLUIDICS

... is a new PFAUDLER PERMUTIT program providing a modern, imaginative approach—plus the specialized materials and equipment—for handling and processing liquids and gases more profitably

FLUIDICS AT WORK ON WASTE WATERS

How to keep your neighbors happy while dumping plant waste waters

Each year more and more towns and cities and states put laws on their books prohibiting industries from dumping fluid wastes which could contaminate rivers and streams.

The wastes that cause problems run the gamut from acids to aromatics, but none of them need cause you any really serious technical problems. Our Permutit Division has the experience, backed with the equipment, to give you a simple, relatively economical answer to most waste disposal problems.

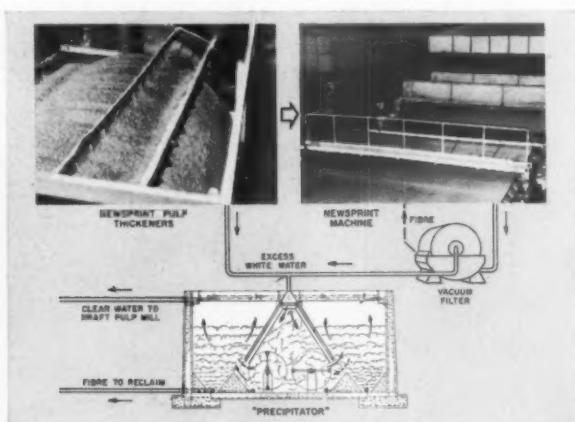
Here are two case histories which illustrate the sort of assistance we can give, sometimes even turning waste into profit:



International Harvester has a plant at Fort Wayne, Indiana, which must rid itself of wastes holding soluble and insoluble oils, alkaline cleaner fluids, mineral acids, corrosive salts and other contaminants . . . a mixture which could wreak havoc with local streams. A single piece of equipment and its acces-

sories render this water so safe it can be dumped into an open stream. It's called the Permutit Colloidair Separator.[®]

This unit uses an unusual and relatively low-cost "bubbling out" process to remove all the solid wastes suspended in the water. Air is forced into solution with the waste waters, under pressure. The mixture is then released to atmospheric pressure, causing the air to form millions of tiny bubbles that collect around the solids and lift them to the surface of a tank, where they can be skimmed off and dumped into a disposal pit.



Southland Paper Mills has actually turned a waste problem into a source of profit with another piece of Permutit equipment, called a Precipitator.

Water loaded with fiber from Southland's groundwood newsprint savalls and pulp thickeners is funnelled into the Precipitator, which removes the suspended solids (fiber).

The mill returns the clarified water to process for further use, and the reclaimed fiber goes back into process to be made into quality newsprint.

These are just two of the many ways Permutit and our FLUIDICS program can help you cope with a waste problem. If you'd like more information or would like to discuss a particular problem, write to Dept. BW-79, 50 West 44th Street, New York 36, N. Y.

FLUIDICS AROUND THE WORLD

Pfaudler Permutit is a world-wide company with manufacturing plants in these countries:

Germany: Pfaudler-Werke A.G.
Great Britain: Enamelled Products Corp. Ltd.
Canada: Ideal Welding Co. Ltd.
Mexico: Arteacerco-Pfaudler, S.A.
Japan: Shinko-Pfaudler Co., Ltd.

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BUSINESS WEEK • July 18, 1959

READERS REPORT

Fourth Competitor

Dear Sir:

Your issue [BW—Jul. 4'59, p40] carried an interesting article *Multiplying Users Fight for Place in Radio Spectrum* on the growing battle for frequency assignments between 25 and 850 megacycles. You list three main groups as the competitors. Business, industrial, and common carriers being the first group; the broadcasters being the second; and the military as the third.

Perhaps these groups are rightly classified as the "competitors" because it is they who are clamoring for additional channels.

But an article of this sort can not be regarded as complete reporting of the situation since no mention is made of the 170,000 amateur radio operators licensed by the FCC. Each "ham" has a big stake in the outcome of the "battle." The recent 27 megacycle citizens' band was created from frequencies formerly used by the amateurs. Any further frequency snatching will seriously restrict amateur radio. . . .

CHARLES S. BUNNELL
PARK RIDGE, N. J.

Not Biggest Dam

Dear Sir:

In the interests of accuracy I would like to call to your attention that you state [BW—May 30'59, p118] that Kariba Dam "will be the world's largest dam on completion." It will not be the world's largest dam as there are several others already completed and in the process of construction which will exceed Kariba's size in volume and height. However, Kariba Dam will create the world's largest man-made reservoir.

Grand Coulee Dam, on the Columbia River in Central Washington, still maintains the position of being the world's largest concrete dam. Ft. Peck Dam, on the Missouri River in Montana, is the world's largest earth dam. There are several proposals for dams which will exceed these record structures in the future. This is not intended to detract from Kariba Dam which should be recognized as one of the world's most ambitious engineering projects. . . .

T. W. MERTEL
CHMN. OF THE COMMITTEE ON
THE REGISTER OF DAMS
NEW YORK, N. Y.

Are Rising Fleet Costs Cutting Your Profits?



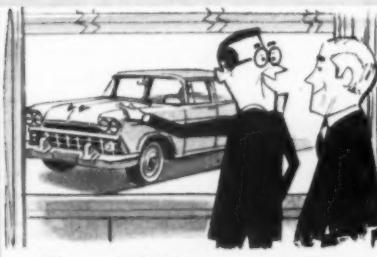
Meet Company President Horace Browning, and Sales Manager Fawcett. Their problem is a common one today . . . soaring car fleet costs that whittle down profits.



"These big, gas-thirsty '59 cars siphon off profit dollars like a vacuum cleaner," complains President Browning. "They're costing us too much to operate."



"What's more, Fawcett, we'll have to build an extension to the company garage to house these monsters. And our salesmen can't fit them into parking spaces."



"Cheer up, H.B.," declared Fawcett. "Let's switch our fleet to Rambler. We'll save money on first cost and operating cost. Because Rambler has top resale, we'll save too, when it's time to trade or sell."



"And our salesmen won't waste time driving 'round the block looking for parking spots. Rambler parks in spaces other cars have to pass up. Rambler is the one car that hasn't forgotten the fleet owner."



"You've got it, Fawcett!" beamed Browning. "We'll switch to Rambler like so many other fleet operators are doing. Rambler savings will make a nice showing on the right side of the ledger."

Rambler Fleet Sales Up 310%*

Like individual car buyers, fleet operators are switching to Rambler in record-breaking numbers. These business men have learned that it is sound economics that means important savings in first cost and operating costs. Many fleet operators report Rambler gives 4 to 8 more miles per gallon than ordinary cars. And Rambler's top resale value means you get more at trade-in time.

For complete information on the Rambler Fleet Purchase Plan, mail the coupon today. You entail no obligation.



*First Half, 1959 Model Year vs. First Half, 1958

Fleet Leasing Arrangements Are Available . . .

If your firm leases fleet units, ask your leasing company for low Rambler rates or write us for the names of leasing companies with whom we have working arrangements.

Fleet Sales, Dept. A
American Motors Corp.
14250 Plymouth Road, Detroit 32, Michigan

Please send your representative to call on us with complete information about the Rambler Fleet Plan. We understand this entails no obligation on our part.

FIRM NAME _____

STREET _____ **CITY** _____ **ZONE** _____ **STATE** _____

BY _____

LOGICAL LOCATION FOR YOUR PLANT

...the GULF SOUTH

Industry is expanding in the Gulf South faster than in any other section of the U. S. Of all the nation's engineered industrial construction now proposed, *one-fifth* is to be located in this dynamic area served by United Gas.* It's only logical to build *your* new plant where others are building ...grow where others are growing. Investigate the advantages the Gulf South offers *your* plant.

*Authority: Engineering News Record

UNITED GAS

SERVING THE

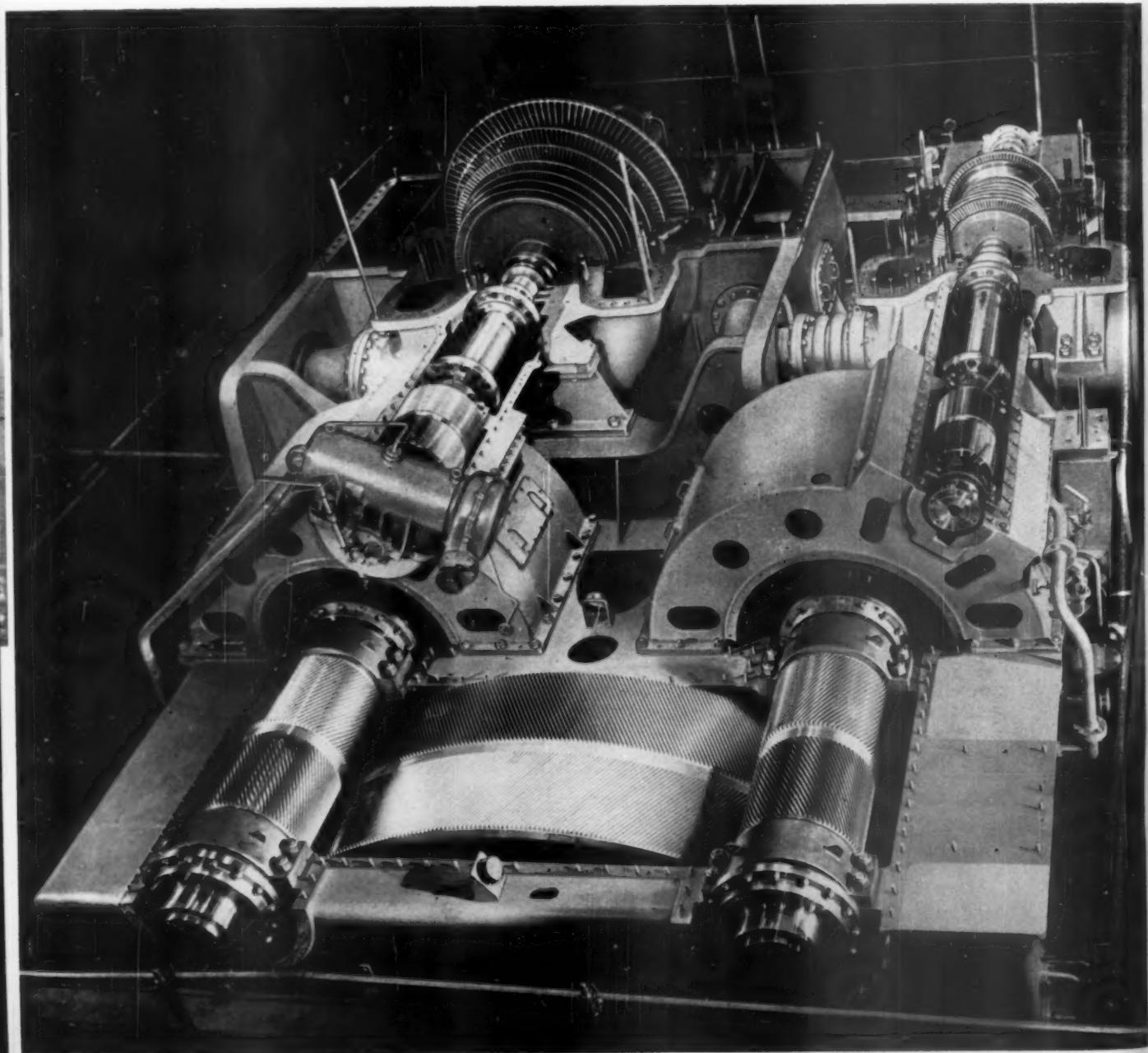
Gulf South

If Fuel is a Factor in Your
Operations, write United Gas,
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DE LAVAL



New era in maritime history opens with launching of N.S. Savannah

DE LAVAL propulsion units to drive new vessel



With the launching of the world's first nuclear merchant vessel, the N.S. Savannah on July 21, 1959, a new era in maritime history is begun.

De Laval has played an important part in the design and construction of the machinery for this nuclear ship which was designed by George G. Sharp, Inc., and built by the New York Shipbuilding Corporation. The Babcock & Wilcox Company were the prime contractors for the nuclear propulsion system.

This achievement is another first for De Laval, long a leader in the design and manufacture of propulsion machinery for the maritime industry.

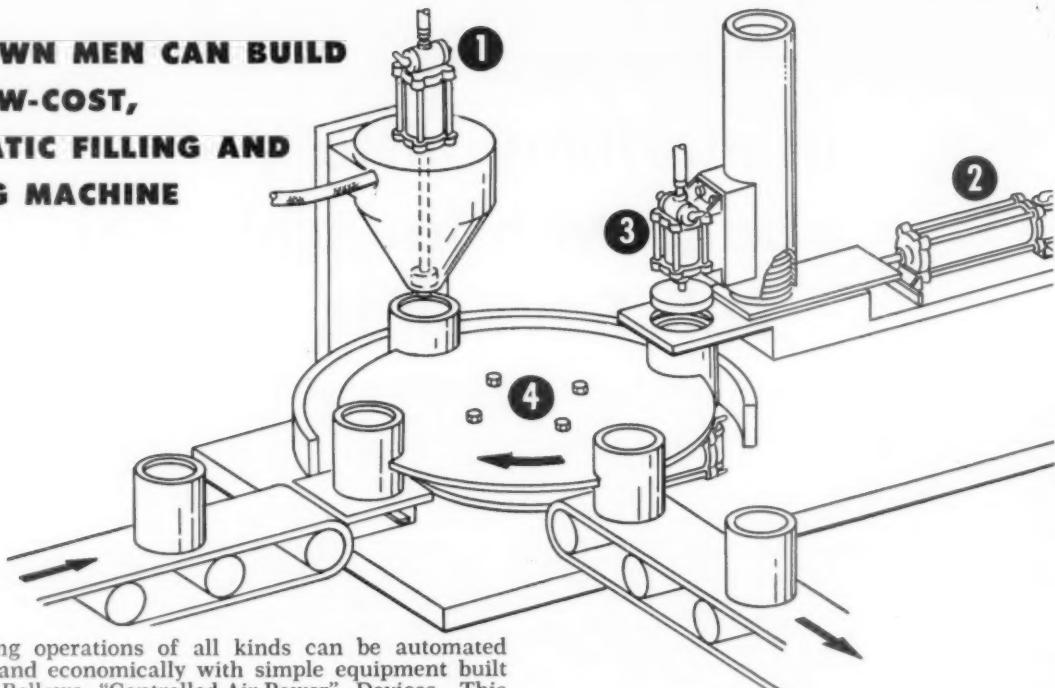
In other industries — steel, refineries, chemical processes, power and others, dependability and precision manufacture have made the name De Laval synonymous with quality for over half a century.



DE LAVAL Steam Turbine Company

NOTTINGHAM WAY, TRENTON 2, N.J.

**YOUR OWN MEN CAN BUILD
THIS LOW-COST,
AUTOMATIC FILLING AND
CAPPING MACHINE**



Packaging operations of all kinds can be automated quickly and economically with simple equipment built around Bellows "Controlled-Air-Power" Devices. This "SPOT-A-MATION IDEA" is typical of the methods used. Originally designed to fill and cap paint cans, it has been adapted to a variety of packaging operations. Bellows equipment has been used in packing and heat sealing plastic bags of sauerkraut, filling and capping glass pill bottles, and packaging granular material in paperboard containers, to cite a few examples.

In the sketch above, a belt conveyor feeds empty cans onto a Bellows Rotary Table equipped with a special top (#4), causing it to index through the work stations. After a container has been automatically positioned under the filling hopper, the piston rod of Bellows Air Motor #1 retracts, allowing paint to flow into the can. When a predetermined weight is reached, a limit switch is tripped and the piston rod advances to cut off the flow. At the next work station, Bellows Air Motors #2 and #3, operating alternately, deliver a lid to position and press it onto the can. At the last station, the filled and capped container is removed by a powered belt conveyor. All Bellows Air Motors are synchronized and electrically interlocked to assure proper timing and sequence of operations.

This is just one type of operation which Bellows Work Units can "spot-automate" simply and at low cost. Chances are there are scores of others in your plant. Why not investigate — today?

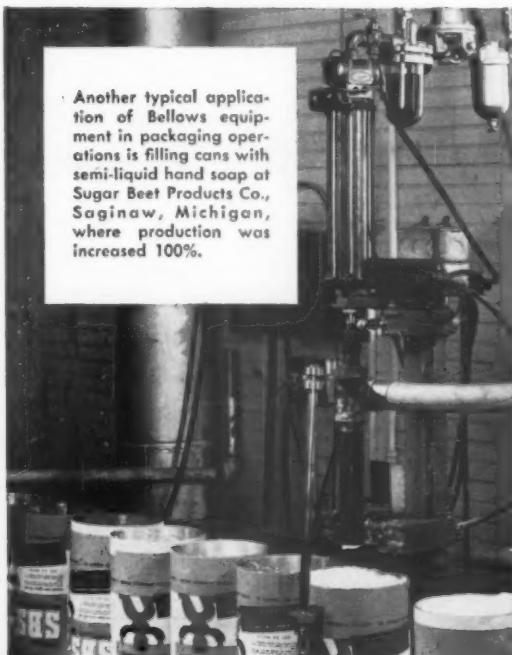


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FILE IS YOURS ON REQUEST**

Contains installation data, wiring diagrams and equipment lists for the filling

and capping machine as well as a score of other spot-automation applications of Bellows "Controlled-Air-Power" Devices. Write Dept. BW-759, The Bellows Co., Akron 9, Ohio.

Another typical application of Bellows equipment in packaging operations is filling cans with semi-liquid hand soap at Sugar Beet Products Co., Saginaw, Michigan, where production was increased 100%.



1445-B

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DIVISION OF INTERNATIONAL BASIC ECONOMY CORPORATION (IBEC)
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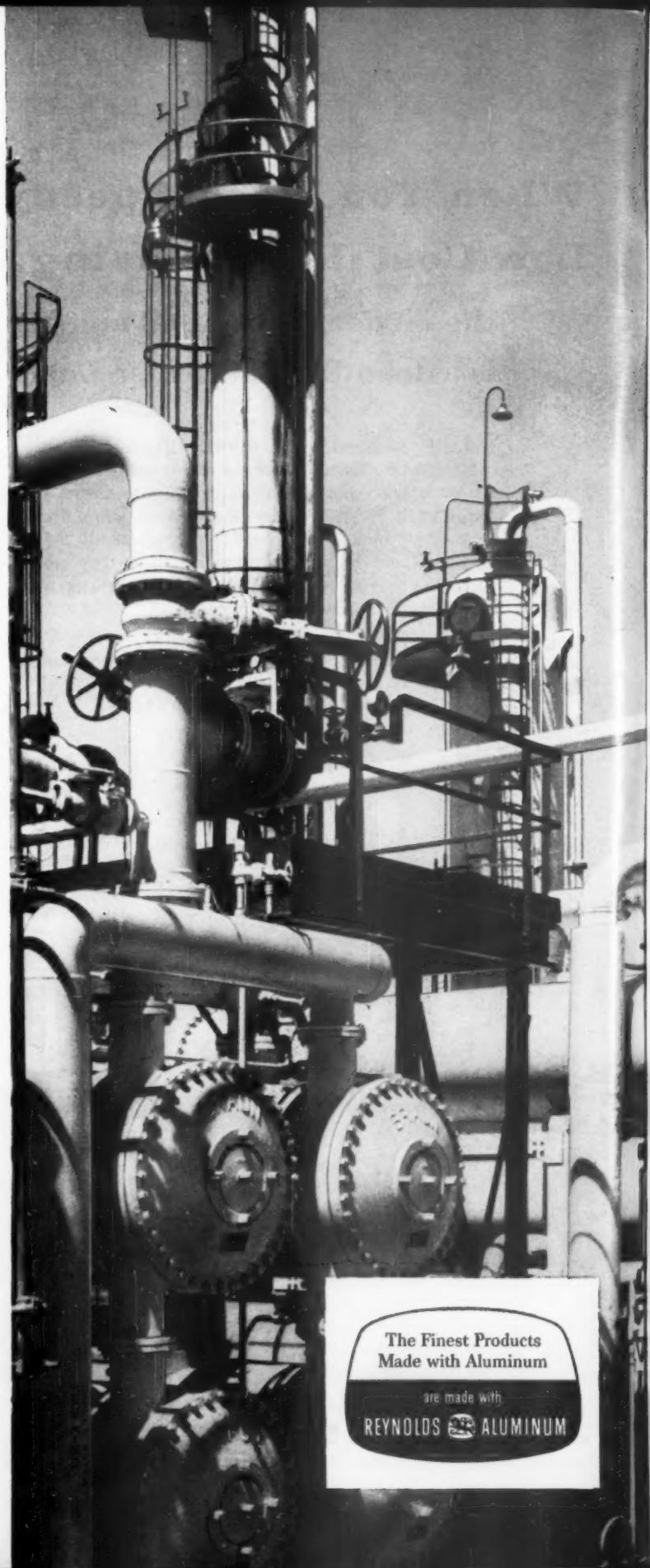
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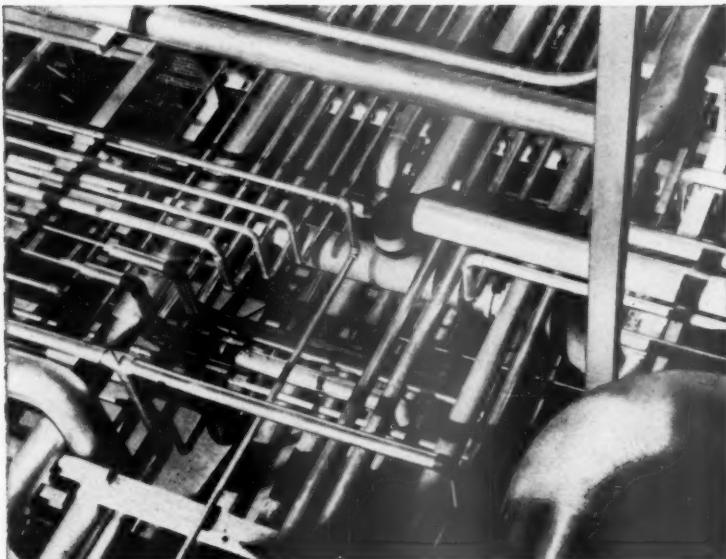
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Reynolds Aluminum is a "natural" for lightweight, corrosion-resistant heat exchangers. It costs less than other metals, has excellent heat transfer characteristics, resists fouling.



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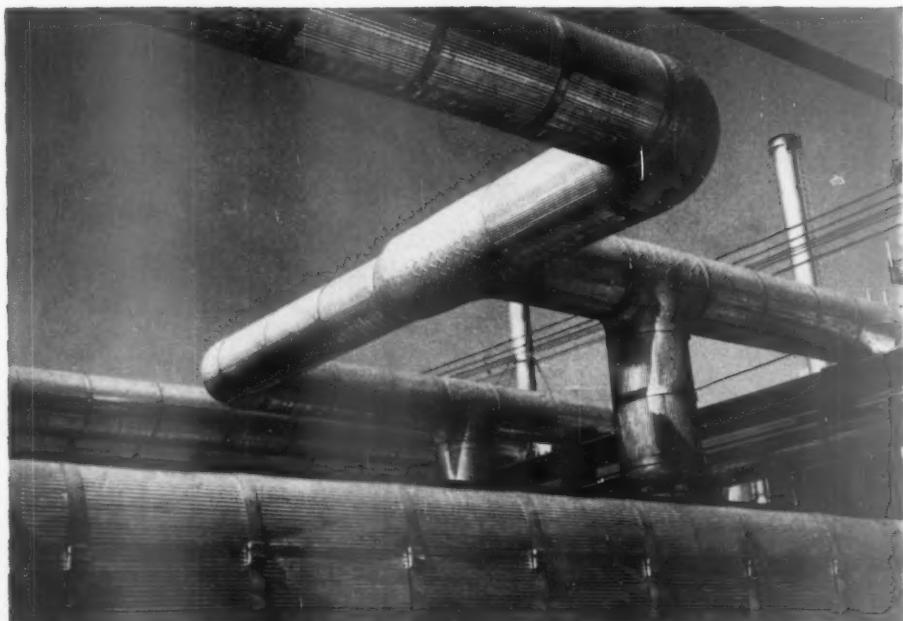
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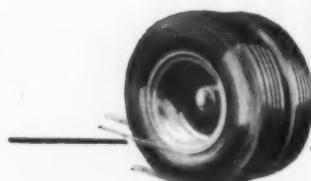
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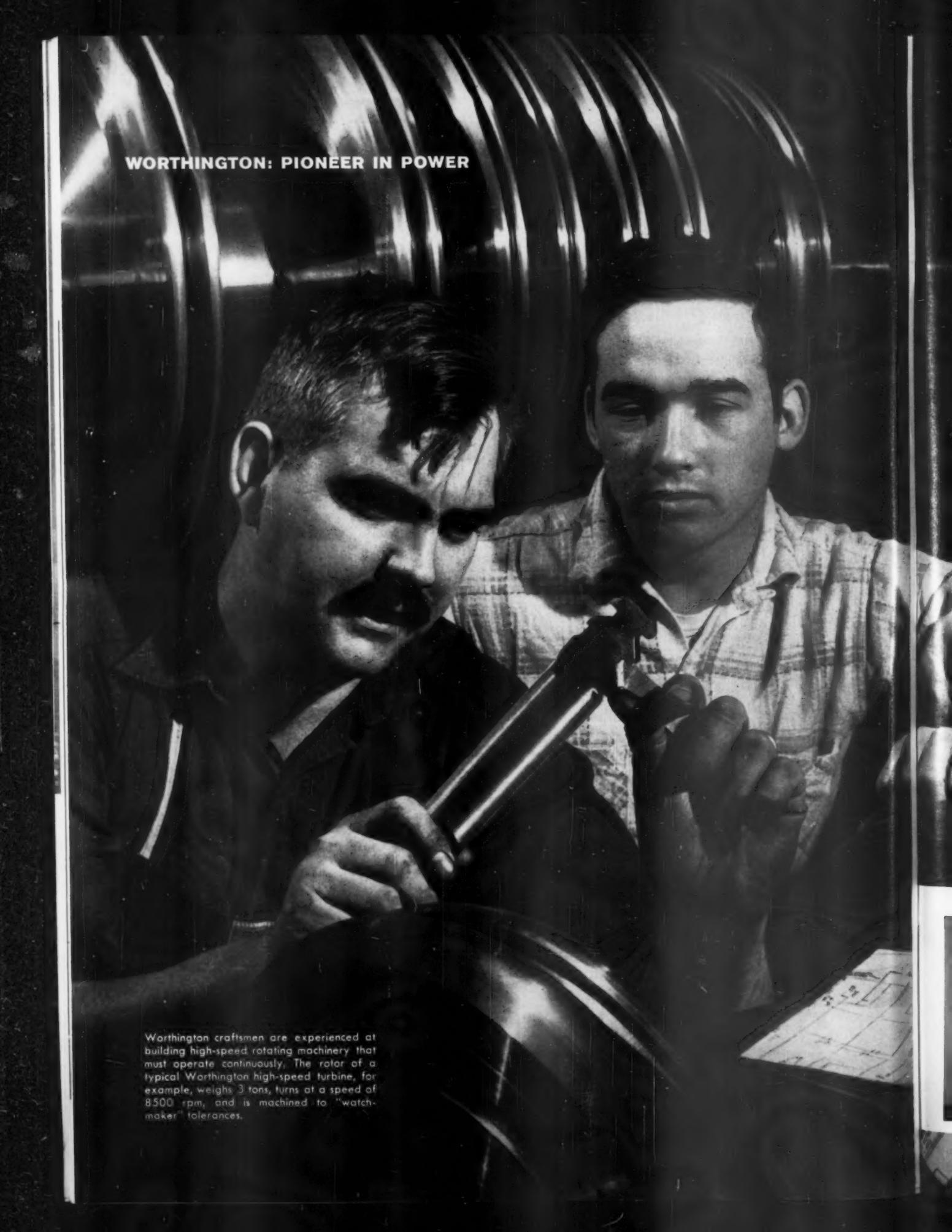
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Worthington is well aware of the continuing importance of craftsmanship to its success. Worthington has no monopoly on skill, but it does have a force of shop employees who are unusually alert to this need, and who are loyal and dedicated to their job. They have been responsible for many outstanding manufacturing accomplishments. That's why you'll find the first, the biggest, the fastest, or the most precise power service product usually bears the Worthington trademark.

Worthington is proud of its craftsmen who have contributed so much to its reputation for quality. Many skilled technicians have been with Worthington for 20, 30 and even 40 years. Half of the labor force has worked for Worthington at least 13 years.

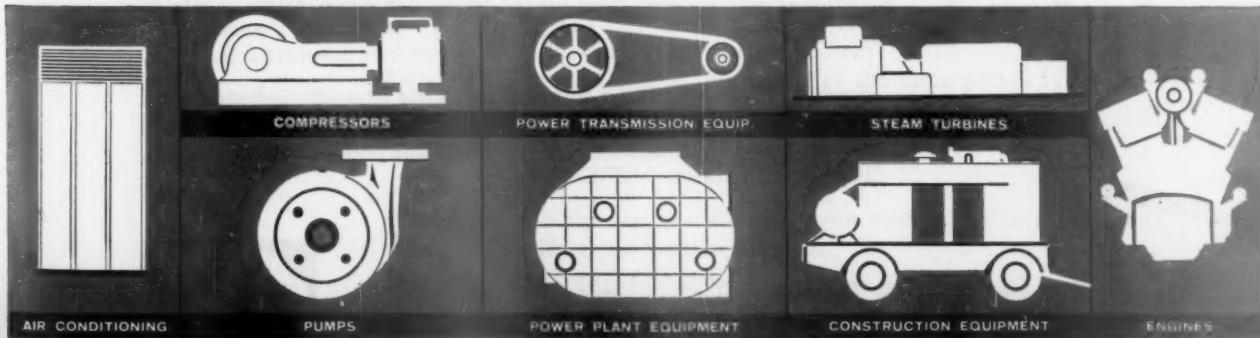
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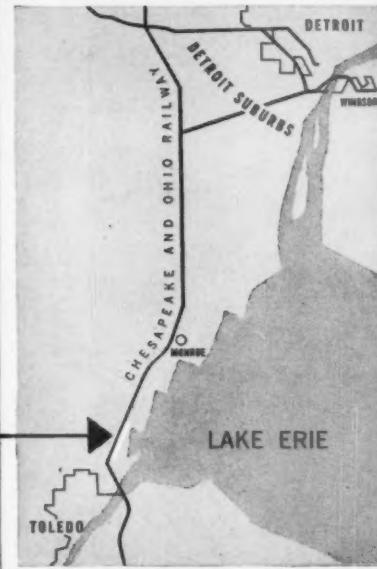
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BUSINESS OUTLOOK

BUSINESS WEEK
JULY 18, 1959



News of record employment in June—coming on the very eve of the steel strike—was robbed of much of its impact before it even got into Wednesday morning's newspapers.

The new high, though, is now a part of the business record, and so is the June rise in production which it betokened (page 36).

People working last month numbered 67,342,000, according to the Census Bureau's estimate. This was fully 100,000 above the old high set in July, 1957 (the only other month ever to better 67-million).

On the basis of last month's count, the year-to-year improvement came to 2.3-million. Moreover, the total was 800,000 higher than had ever before been chalked up in the month of June.

More than half the year-to-year employment rise was in factories.

Manufacturing jobs totaled roundly 16.4-million in June. That was 1.2-million better than in 1958—but it set no records; any month you want to name from mid-1955 to late 1957 would be higher except July, 1956, another occasion when steel was struck.

Now it becomes a question of how many factory workers will be idled—aside from half a million steelworkers—as a result of this strike.

Fault-finders are bound to point out that unemployment rose 600,000 from May to June, putting the total close to 4-million again.

But a rise in unemployment when schools let out is customary.

This year, as in the past, many of the jobless were only temporarily looking for work (and some of the others, new entrants to the labor market, hadn't yet found spots at the time of the June count).

The number of unemployed under 24 years of age rose by 800,000 last month. Thus a little arithmetic tells you that the number of people 24 and over who didn't have jobs declined by some 200,000.

Factory payrolls posted another gain in June.

The work-week lengthened further to an average of 40.6 hours. Mainly due to this, weekly pay rose to \$90.54, according to manufacturers' reports to the Bureau of Labor Statistics. That was only a 22¢ rise over May but it topped year-earlier levels by more than \$7.

Record employment and income in June kept retail sales close to the high mark of \$184-billion (seasonally adjusted) set in May.

This put the second quarter 9% ahead of the same period last year.

Sales of all types of retail outlets, incidentally, ran very close to a \$220-billion annual rate last quarter.

Consumers continue to spend much more heavily for durable goods, particularly autos, than was the case last year.

Softgoods had a year-to-year gain of 3.3% in the second quarter; by contrast, hardgoods ran ahead by nearly 18%, with a total of \$19.4-billion against \$16.5-billion in 1958.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
JULY 18, 1959

For autos and automotive products, spending went above \$11-billion for a gain of nearly 22% over 1958's second quarter.

As a portion of retail sales, hardgoods got nearly 36% against not quite 33% the year before. That may not sound like much change, but it makes the difference between a miserable showing and a satisfactory one.

Recovery in the textile industry is being maintained despite consumers' greater emphasis on purchases of hardgoods.

Judged by estimated consumption of cotton, that branch of the industry has pulled ahead of 1957 levels and is back pretty close to 1956 (the last year of even fairly satisfactory operations).

Prices, meantime, have been edging upward for about a year with standard printcloth about where it was in the spring of 1956.

Rayon and acetate, whose business has been nothing to boast about since early in 1955, are at least keeping pace with cotton—both in point of price improvement and shipments.

Indicative of the improvement, manufacturers have worked their stocks of yarn down by about 30% in a little over a year.

Uncle Sam's problem of surplus cotton is being relieved to some degree by the improvement in textiles. Domestic consumption of the fiber in the season ending this month should run at least 10% better than the preceding year's 8-million bales.

Exports, on the other hand, apparently will be less than half the preceding year's 5.7-million bales.

Takings both at home and abroad thus add up to little more than 11½-million bales, only slightly larger than last year's crop.

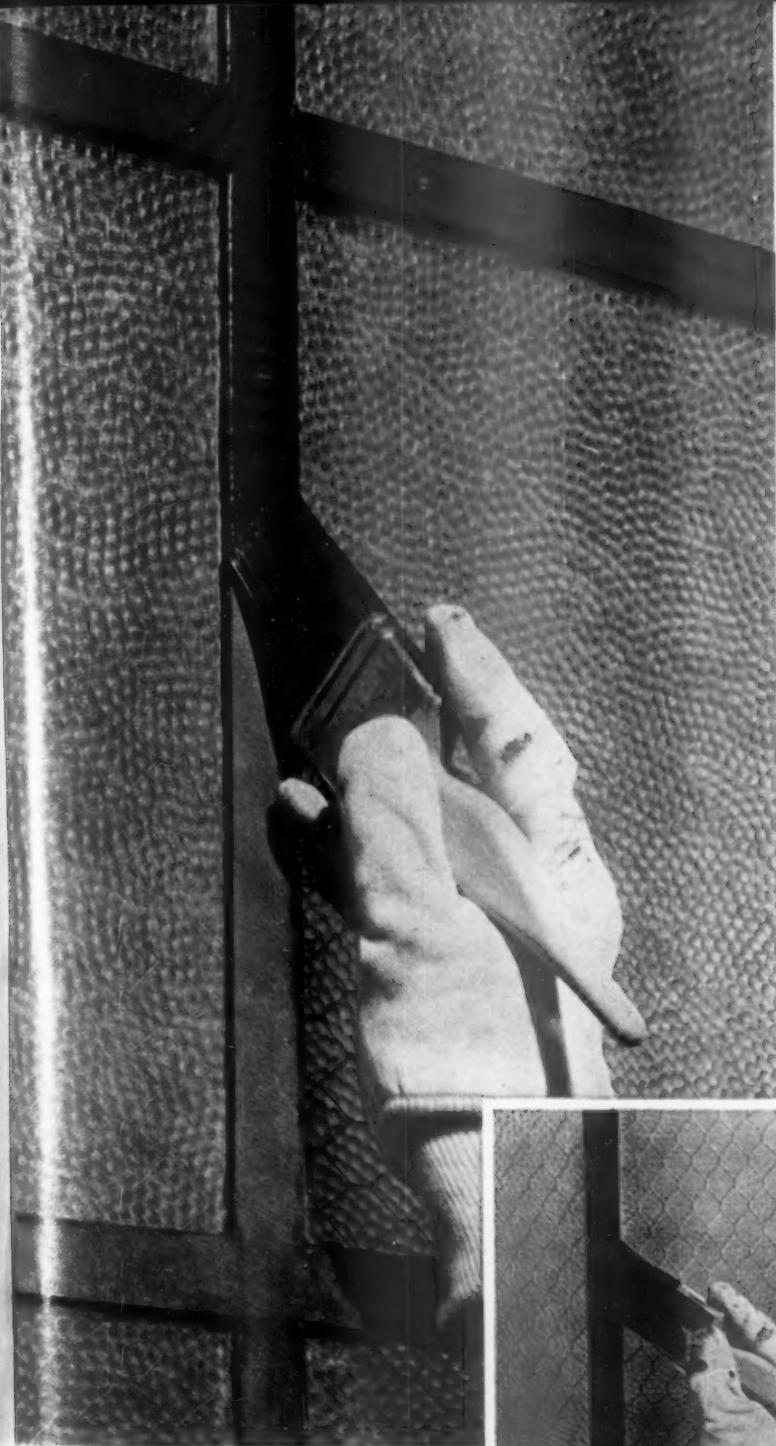
Next year's cotton exports can be expected to run well ahead of the season now ending. Foreign mills cut their buying to the bone when it was announced that, starting Aug. 1, our subsidy on exported cotton would go up from 6¢ to 8¢ a lb.

The assumption is that mills abroad, in the coming season, will not only buy to meet normal needs but also will be rebuilding stocks.

Production curtailment didn't save the posted price of \$85 on quarter-inch sanded plywood. But the cut to \$78 isn't really so deep as it looks; most business was being done at about \$80 before the cut.

Grab almost any auto man these days and he'll tell you that more than 6-million cars will be sold this year. In fact, you can get guesses as high as 6.2-million now.

To do that, the lag early this year will have to be made up in coming months. But that may not be too hard. Even discounting dealers' claims on June sales, the second quarter was at a 6½-million annual rate.



The Rust-Oleum system Stops Rust and beautifies as it protects!

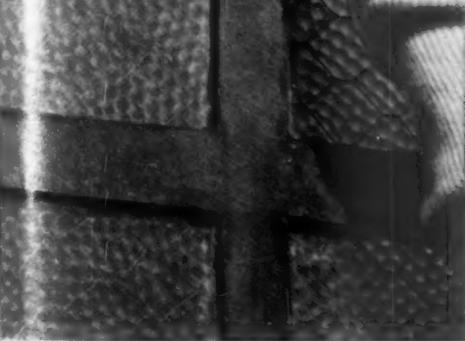
Rust-Oleum's specially-processed fish oil vehicle penetrates rust to bare metal. Proof of this penetration is available in a complete thirty-page report showing the results of radioactive tracing studies.



Rust-Oleum is not only an exclusive formulation—it is a *system*! On rusty metal sash, for example, you simply scrape and wirebrush to remove rust scale and loose rust—then brush Rust-Oleum 769 Damp-Proof Red Primer over the remaining sound rusted surface. The *specially-processed* fish oil vehicle penetrates rust to bare metal—while the surface film remains firm and durable. Now—you apply the Rust-Oleum finish color of your choice to provide double protection and lasting beauty against fumes, sun, moisture, weathering, etc. This is the Rust-Oleum *system* of primer and finish coat. It saves time, money, and metal.

What is your rust problem? What is your color choice—red, gray, aluminum, green, black, yellow, blue, white?—Rust-Oleum has them all. From pipes, tanks, girders, stacks, fences, machinery, or boilers in industry—to fixtures, tools, basement fittings, or metal railings around the home—Rust-Oleum can do the job for you!

Prompt delivery from Industrial Distributor stocks for industrial users. Homeowners will find Rust-Oleum featured at nearby paint, hardware, and lumber dealers.



Applying Rust-Oleum 769 Damp-Proof Red Primer over the sound rusted surface of metal sash.



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Simple idea . . . the wheel.

By turning it with water, man made it produce power.

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Through this great underground highway,
natural gas is carried thousands of miles. Lifted over
mountains, forced under rivers to give homes and
industry heat and energy never available before.

Simple idea . . . the pipeline.

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*From natural gas and oil . . . heat, power,
petrochemicals that mean ever wider service to man.*



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JULY 18, 1959

NUMBER 1559

A Long, Bitter Steel Strike

The real conflict is between management rights and the power of the Steelworkers. Higher wages are secondary.

Glumly, but to a man, a half-million steelworkers quit jobs throughout the basic steel industry at midnight Tuesday. Labor historians may record it as the most important strike of the mid-century.

For the first time in many years, a major American industry had bargained to a showdown with its powerful union without making a specific money offer or proposing some new, pioneering social welfare program.

This was a significant reversal of labor-dominated bargaining patterns of the past—in steel or other industries. It means the end of one era in labor-management relations, the opening of another more favorable for employers (BW—Jul. 4 '59, p13).

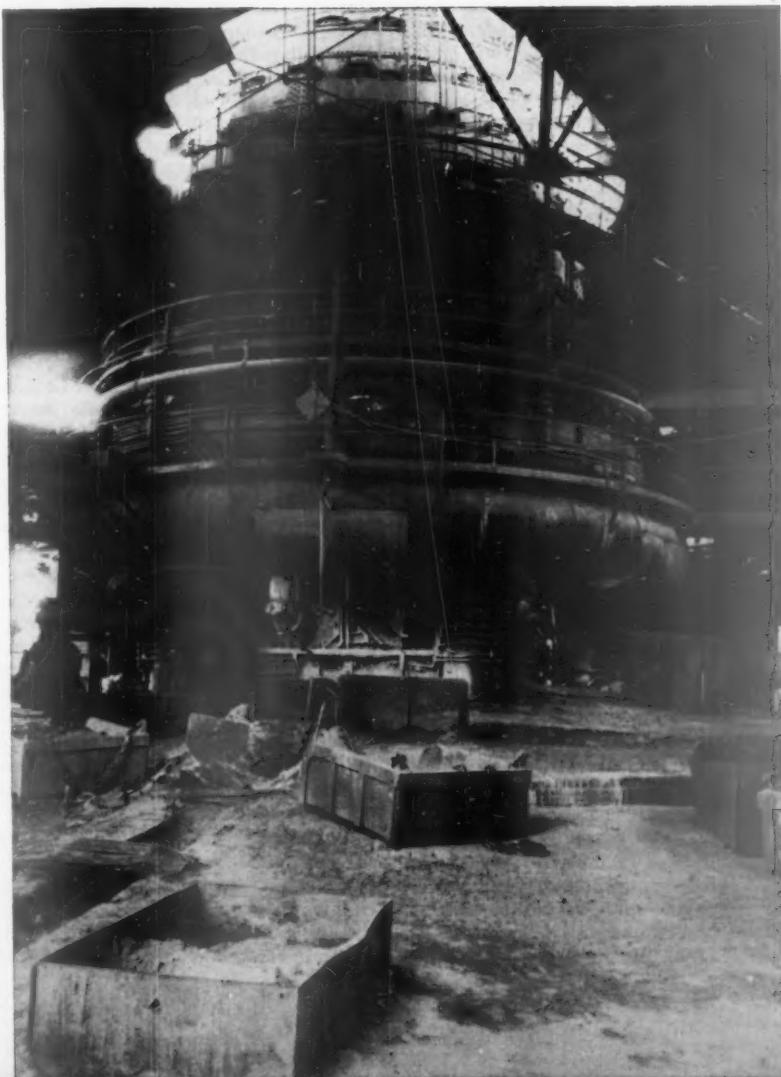
• **Prospects**—The success of the steel industry's new strategy of toughness depends upon outside factors. Holding the initiative, it unquestionably has a strong advantage now over the United Steelworkers. The impact of a strike—and probably a long one—will be felt more by the union membership than by the industry, which is in a much better position to hold out for a favorable settlement.

There are two possible pressures which could force the steel industry to give more ground than it is now prepared—privately—to pay for a labor agreement to its liking. One is a growing, insistent pressure from the auto industry and other principal consumers for a resumption of steel production to meet shortages; the other is pressure from Washington.

The first pressure isn't likely any time soon. Steel stockpiles are at comfortable levels (page 25)—partly in order to leave steel companies free to maneuver for the best possible settlement with their union, without prodding from consumers.

The government, on the other hand,

BANKING of furnaces gets under way early Tuesday morning, and mills grind to a shutdown as steelworkers walk out at midnight.



"... there were gloomy predictions that the strike this year could be the longest in steel history . . ."

STORY on page 23

does want a quick settlement. It believes that the steel industry has some pennies in its kitty for a "right" settlement with the United Steelworkers. What, if anything, Pres. Eisenhower will do to speed up such an agreement isn't known. But it is well known that the President can be an impatient man over delays when he is convinced that action should be taken quickly and directly.

I. Government Moves

The Administration is very much concerned over the course the steel negotiations have taken this year. The threat of an eventual inflationary settlement is one reason. There's another. The government is convinced that unless the parties can be kept in negotiations—and under pressure from the White House—an even more irreconcilable fight may develop, not over pennies in pay envelopes but over basic principles.

Such a struggle could be long, hard, and costly for the national economy. It could leave an aftermath of labor-management tension and conflict.

The problem that faces the Administration this midweek, as steel mills shut down, is a delicate one: How to get steelworkers back to work as quickly as possible—certainly in the next six to eight weeks—with as little long-term damage and as few unhealable wounds as possible?

• **Mediation**—The President's first step was the obvious, safe one. Within hours after negotiations broke off, before the strike deadline, a message from the White House expressed "keen disappointment" over the failure of the steel negotiators to work out, directly, a "just and responsible" settlement.

"The fact that the contract expired without an agreement having been reached does not in any way release the parties of responsibility to continue to bargain without interruption," Eisenhower said.

The Presidential message called upon the parties to avail themselves of the services of the Federal Mediation & Conciliation Service. They did, immediately—the union gladly, as a possible way out of its uncomfortably tight negotiating box; the industry less happily, with a statement that "of course we accept the President's suggestion to bargain on without interruption."

Joseph F. Finnegan, director of FMCS, opened "exploratory" talks with the industry and union, separately, Wednesday afternoon.

Ordinarily, the start of a steel strike

is followed by a "cooling off" period, with negotiations recessed. Experience has indicated that there is little to be accomplished through discussions in the first tense period of a walkout, in an atmosphere of anger and bitterness, charges and countercharges.

• **Fact-Finding?**—Nevertheless, it was obvious on Wednesday that the Administration hopes—and expects—to keep the parties bargaining as long as there is any possibility whatever of a meeting of minds through mediation.

The President has the authority, under the Taft-Hartley Act, to appoint a fact-finding commission and to ask for an injunction against a work stoppage if a "national emergency" dispute exists. Eisenhower has used this power five times since he took office. He is not expected to invoke it at this stage of the steel dispute.

There is some speculation that Eisenhower may intervene in some other way, perhaps by calling a "summit conference" of top industry and union officials, perhaps by a milder form of fact-finding than the "emergency" procedures prescribed by the Taft-Hartley Act. However, he said several weeks ago that he does not believe that he has authority to name fact-finders without invoking the federal labor act.

Direct action by the President will come as a last resort, and probably not until mid-August at the earliest, if before Labor Day. He hopes to see the steel strike ended without drastic steps from Washington.

This, however, does not rule out the possibility of very strong indirect action. Labor Secy. James P. Mitchell, who played an important role in settling the 1956 strike, is deeply involved in the present negotiations. So are Raymond Saulnier, chairman of the Council of Economic Advisers, and Vice-Pres. Richard Nixon.

II. Union Strategy

At midweek, still hoping for some degree of federal intervention beyond mediation, the United Steelworkers made its third proposal of fact-finding. It urged the establishment of a private rather than a public board, but clearly it hoped that an Administration sanction would give added weight to its proposed plan.

The union had first tried to get a government board appointed; Eisenhower refused to name one. Last weekend, USW proposed that the union and the industry set up a joint committee to study the issue of management

demands for more authority to eliminate restrictive work practices; the industry turned down the proposal.

The third fact-finding suggestion, at midweek, was for a three-man commission to be set up jointly by the union and the Steel Companies Coordinating Committee. The union would name one member, SCCC a second, and Chief Justice Earl Warren of the U.S. Supreme Court the third and "impartial" fact-finder. The commission would be empowered to hold hearings, to take up "all issues in dispute," and to make nonbinding recommendations "for a fair and equitable settlement" of the steel dispute.

The strike would go on during fact-finding, but, the union said, the impartial study of the economic and non-economic issues in dispute should "provide a basis for negotiation and . . . quick settlement" of the strike.

• **Little Hope**—The union had little hope at midweek that the walkout could be ended easily or quickly, even with the government as a peacemaker. There are gloomy predictions that the strike this year could be the longest in steel history, more prolonged than the eight-week stoppage in 1952.

The breakdown of negotiations was obvious days before it actually occurred. Bargaining in the last few days involved little more than meaningless meetings. Outside the negotiating room, optimism rose and ebbed, depending on whose rumors were believed. Inside the room, there was no optimism.

When the break occurred, early this week, unusual bitterness was evident in the labor-management relationship characterized, for years, by amiability.

David McDonald, USW president, accused the industry of "deliberately" closing down "for its own selfish purposes." R. Conrad Cooper, the industry's chief spokesman, from United States Steel, said it is "mockery" for McDonald to pretend that the union is "willing to conclude agreements which would save the nation and the industry from the hardships of the strike which you have refused to postpone or call off."

The easygoing "Dave" and "Coop" relationship was gone; the men were angry antagonists. There is danger that the industry and union will become increasingly antagonistic if the strike is prolonged. For the strike involves very important basic differences.

III. Critical Issue

What started at midnight Tuesday was not a strike over money issues that can be settled, in time, by a careful, perceptive give-and-take reconciliation of union demands and what an employer has offered. The really critical issue—and what makes this strike so

highly significant—is that the steel industry is fighting against three things that the union considers vital:

- Regularized increases in wages—the so-called “productivity increases” under long-term contracts—and the linking of pay to the cost of living through escalator clauses.

- Any increase in hourly pay this year that is not “earned” through definite—not prospective—savings in employment costs.

- And what industry people criticize as work rules that “protect featherbedding and loafing” in mills.

- **Crux of Conflict**—To the United Steelworkers, this adds up to a serious attack by management on gains won through the years for mill workers, and constitutes an “intolerable” attempt to weaken the union.

In simplest form, the fight in steel—and more and more commonly in other industries—involves a sharp conflict between management rights and union security aims. Employers are out to regain prerogatives that they carelessly let slip away during the boom years.

The campaign on work rules is particularly important today because of the development of new machinery and new techniques. Many of the work practices that were once justifiable are now stumbling blocks in the way of the fullest use of new steel facilities.

The conflict on these major issues was two years developing. A strike on them was almost inevitable.

- **Industry Position**—Consider the industry position, point by point.

The industry was distressed with its 1956 contract, as it worked out during the three-year term. The automatic-raise clause required a payment in recession times, when the industry felt a raise just wasn't warranted. The cost-of-living clause added, cumulatively, 17¢ an hour to wage costs.

Many lesser producers complained that contract negotiators—John Stephens of U.S. Steel, specifically—were entirely too free with money at the bargaining table. And, as far back as 1957, they began pressing for a different, tougher policy this year.

Meanwhile, U.S. Steel became convinced that the whole Stephens-Benjamin Fairless concept of bargaining hadn't worked. The friendly arm-around-the-shoulder approach to McDonald hadn't brought peace, held costs under control, or resulted in efficiency in operating departments. And it had been too expensive. Stephens went into partial retirement. Cooper replaced him, reportedly with the understanding that he must be tough, even at a risk of an end of long-standing good relations between the company and union.

About the same time, the favorable

atmosphere under which labor had grown powerful began to change. Unions were no longer the automatic winners in disputes. Industry felt that it must, and could, fight back effectively, to redress the labor-management balance. Public opinion shifted significantly from unions.

IV. Showdown Due

It's a good guess that steel would have tried to act at it has this year even if the times hadn't changed—it was so appalled at the cost of its 1956 contract. But it probably couldn't have done so as effectively, or as strongly backed by other industry.

The concern over high employment costs is a common one today, and there is a spreading determination to do something about annual rises in wages. Back in 1958, the steel industry set out to sell its hold-the-line philosophy to its big customers, the auto industry, particularly. It said, in effect, “If you keep off our back, don't force us to give in, we'll deliver you a no-cost-increase pattern you can use in your next union bargaining.”

Nobody can prove the sale was made, but steel inventory figures are illuminating. The auto industry, the one pressure source the steel industry really fears, has enough steel stockpiled to finish running out 1959 models and to work for a month to six weeks on 1960 cars. Steel warehouses have ample stocks on hand. Electrical manufacturers have inventories of steel to last a minimum of two months, in some instances enough to last for more than four.

With the assurance that it won't be pressured by customers, the steel industry set out to bar any increase in net employment costs—already almost 35% of total annual revenue. This, it expects, would enable it to hold the line on price increases.

- **Spending Spree**—There is another factor in steel's determination to stand pat on costs, despite high earnings. It has been on a spending spree since the end of the war. Including 1947, it averaged \$900-million per year in investments since then. In seven of the last nine years, its spending ranged from \$1-billion to \$1.7-billion annually. It doesn't expect that it will ever spend less than \$1-billion again.

The spending has paid off well. The industry is much more efficient now as a result of it. Its profit margins are improved. But its debt is a lot heavier—a 40-year charge against future earnings. Also, it has a lot more stock out now. This all means that finances are a continuing worry. The industry must generate more net earnings than ever before just to stay even with dividends of a decade ago. And the industry must keep

competitive in the capital markets if it's going to continue spending—as it has to.

So, having reached the point of diminishing returns on price increases, the industry moved to an alternative: It determined that future employment cost increases would have to be self-liquidating, that is, that an increase in pay would have to be offset by money-saving operating efficiencies.

- **New Working Rules**—That's where demands for working rule changes come up. It's ironic that the work practices now under attack by the industry and defended hotly by USW were largely established by the companies in line with their own standards, not the union's. Two decades ago USW wasn't powerful enough to dictate working rules.

But what the industry saw fit to set as crew sizes, for instance, in the late 1930s no longer applies; in many instances, the industry says they are criminally wasteful.

For instance, today's cranes with air-conditioned cabs can handle more work and leave one operator fresher than in the old days, but mill operators complain that they are stuck with two cranes and two crews for every one needed—because it has been the practice in the past to have two for a given amount of work. This runs up costs.

The industry protests that there are literally hundreds of instances such as this in the mills, in every department.

Up to now, it hasn't been able to do anything about the situation, it says, because of union resistance. USW denies this. It calls charges that it has resisted automation in any way “as phony as a \$7 bill.”

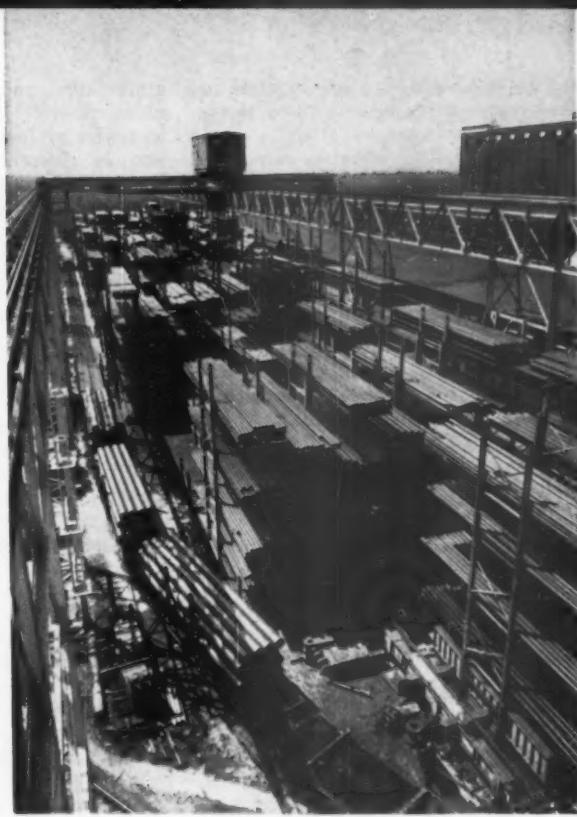
The question is, what actually is resistance to automation? The union has never opposed it formally. But employers counter by saying that it hasn't accepted technological developments—automation, mechanization, or whatever—without requiring the maintenance of crews at unnecessarily high levels, in some instances imposing limits on the operating rates of new, higher-capacity equipment.

- **Hot Issue**—The fight the steel industry and USW are locked in now is particularly on this issue. The industry says that if it is allowed to make working practices up-to-date as the equipment it has installed, it can make tremendous savings, and that out of the savings it will—in 1960 if not before—pay higher wages. USW contends that the intent of the industry is something else again: to weaken the union.

This isn't an issue that can be reconciled easily or quickly. It is basic for the union—jobs will be lost, power and prestige reduced in any substantial change. In the long run Washington, not the parties, will probably settle the conflict.



SHEET STEEL stocked at GATX's Chicago plant and . . .



STEEL PIPE at A. O. Smith's in Milwaukee show that . . .

Steel Users Are Well-Hedged

Industry is facing up to the steel strike with little fear that there'll be a sudden famine of steel.

At midweek BUSINESS WEEK reporters talked to hundreds of steel users in the nation's industrial centers and found that all but a handful have steel enough in inventory for 30 to 40 days' production. Many have 60 days' supply; some, enough for four months.

• **Well Prepared**—"This is," says a West Coast appliance maker, "the best hedged-against steel strike we've ever faced." In the East, Worthington Corp.'s purchasing vice-president, David Gibson, says: "We've been buying steel for inventory since last October. We bet pretty confidently that with an average of four to five months supply, we've got all we will need."

Just about every steel user with cash to spare, it seems, has piled up enough steel to see him through a month-long strike. Some have stacked steel in their warehouses still higher, hedging not just against a longer strike but against a steel price increase, too.

• **Early Fright for Some**—Like Worthington, scores of companies have been preparing for the strike for the last eight months or more. Two weeks ago, some got a fright. They had placed orders for steel to be delivered in July. They didn't expect to get it, but they guessed their orders would give them

priority when the mills reopened. Then, while the steel talks continued an extra two weeks, some of these businessmen sweated. "If they start sending this stuff, I don't know where I'll put it or how I'll pay for it," one wailed.

But only a few steel users found themselves in that position. Many more have steel inventories a little smaller than they had planned, despite the extra two weeks production at the mills. They had prepared their schedule of orders months ago, figuring on the basis of their production then and adding a bit extra to allow for improving sales in the early summer. Business, though, improved beyond the projections of many, and not all could get the extra orders they sought. So now their own increasing production has whittled down their inventories by 10 to 14 days' supply. In Chicago, Admiral Corp., for example, planned to have 60 days' supply of steel when the strike hit. But now, it says, sales have been climbing so fast that the inventory may not last much longer than a month.

For others, the normal run of mid-year production has helped keep inventories high. In Louisville, the plants of General Electric and International Harvester will soon start their yearly two-week vacation shutdown. Just now they estimate they have enough inventory to run at current production

rates for between six and 10 weeks.

• **Weak Spot**—There's one fear that runs through just about all industry, and apprehension is greatest among machinery and appliance makers: It's that their small parts suppliers may not have heeded the long-drawn-out warnings of a steel strike.

Even with the mills closed, some of these suppliers still have a source of steel. The nation's steel warehouses and steel service companies are heavily loaded with supplies. The American Steel Warehouse Assn. says these companies have about 3.7-million tons of industrial steel products available—about 1-million tons more than they had at the start of the 1956 steel strike. One of these outfits, Steel Supply Co. of Knoxville, was brash enough to start advertising at midweek: "Need steel? . . . Fast, dependable service."

• **Employment Picture**—For all these reasons, businessmen in most industries expect there will be no quick layoffs of workers as a direct result of the steel strike. But this doesn't apply to the railroad industry—especially to that part of it that serves the Northeast and the Midwest. The Pennsylvania RR, which laid off 18,000 employees during the 1956 strike, says that 30% of its freight business is directly dependent on the steel industry. The road's payroll stands at 80,000 now as against

100,000 in 1956, and it dropped 6,200 men when the strike began.

Machine tool makers are apprehensive, too. Says one in Ohio: "It's hard to figure how long we can keep going because we use so many different kinds of steel."

• **Users Complain**—In the Southwest, the oil industry is not much perturbed by the strike. Humble Oil & Refining Co., speaking for the industry, says "There is enough inventory of oil country goods to continue drilling through the third quarter." Suppliers of oil country steel products hold inventories averaging three months supply, too. But one of them in the Midwest hints deliveries might be slow. Much of the line pipe and oil well casing in this com-

pany's warehouses will have to be reworked because it is defective. For this, the company blames the steel mills and complains that in their rush to get out steel in the last couple of months the mills shipped much poor quality product.

California's fruit cannery have little reason to fear the steel strike. Can producers have assured them they have enough inventory to produce cans through this year's main canning season.

• **Bid by Japanese Mills**—Part of that inventory consists of foreign-made steel. And though most of the companies to whom BUSINESS WEEK reporters spoke said that they have not bought foreign steel, a growing number along the

East and West coasts are considering buying from European and Japanese mills.

On the West Coast several companies report salesmen from Japanese steel mills have offered them guaranteed deliveries of steel for as long as the strike lasts. Some of those offers, says Anthony Ruediger, head of the National Assn. of Purchasing Agents' steel committee, have been dependent on guarantees that the companies will keep buying after the strike.

As inventories dwindle, more companies may accept offers like these. But from BUSINESS WEEK's survey, it appears that few steel users will suffer from the strike for a month, that most consider themselves safe until Labor Day.

Fed Upsets Compromise on Debt

● Chmn. Martin takes initiative in rejecting what had been regarded as a partial victory for the Administration: House committee approval of a bill to eliminate the ceiling on interest rates on new government issues.

● The joker that aroused Fed opposition: an amendment suggesting broader use of the Fed's open market operations.

● Martin, a "bills only" man, took umbrage. Now action is back in the hands of Congress.

A bitter tug-of-war over the Federal Reserve System developed this week between the Administration and Congress. It looks like just the beginning of a long, drawnout fight over tight money.

The battle started when the House Ways & Means Committee approved a bill granting the Administration's request to eliminate the statutory 4½% ceiling on the sale of new issues of government bonds. With outstanding government bonds selling at well over the ceiling, the Treasury was forced to sell only short-term obligations, which drove up short-term rates and carried a big inflationary potential.

• **Strings Attached**—The Administration asked for an unqualified lifting of the ceiling on rates. But the committee—and the Democratic majority in Congress—did not want to take any responsibility for higher interest rates. After long negotiations with Fed and Treasury officials, it approved a bill that gave the President authority to lift the ceiling when he thought it essential for "the national interest."

But the committee also added two other provisions. One limited the Pres-

ident's authority to lift the ceiling to two years. The other—which precipitated the present battle—proposed in effect that the Federal Reserve should be more flexible in its money management. Specifically it suggested that the Fed should be prepared to buy and sell long-term bonds in its open market operations.

• **Change of Heart**—When the bill was voted, the Administration appeared satisfied. Treasury spokesmen were quoted as saying that they "could live with it." They did not get the carte blanche they wanted, but they felt that the committee had come up with a reasonable compromise and that the amendments were a cheap price to pay for getting the ceiling lifted. They thought the Fed amendment was harmless.

But FRB Chmn. William McC. Martin took immediate objection. In the committee's executive session, he flared up at the vague language of the amendment. One Fed official described the proposal as "dynamite," while others warned that the committee was trying to restore the old "pegged" market in government bonds, which had been

dangerously inflationary after World War II.

• **Mild Wording**—The amendment itself is vague. It simply says:

"It is the sense of Congress that the Federal Reserve System, while pursuing its primary mission of administering a sound monetary policy, should, to the maximum effect consistent therewith, utilize such means as will assist the economical and efficient management of the public debt and that the System, where practicable, should bring about needed future monetary expansion by purchase of United States securities of varying maturities."

This sounded innocuous enough on the surface, and the sponsors of the provision offered it as a sop to congressmen who have been critical of the Fed's tight money policies. But to Martin, long familiar with Congressional thinking, the proposal is a slap at the Fed's policy of confining sales and purchases of governments to 91-day Treasury bills, the shortest of all obligations.

• **Bills Only**—Purchase and sale of Treasury securities is the Fed's chief means of increasing or decreasing bank reserves, hence the nation's credit supply. Martin is identified with the "bills only" policy, and has vigorously fought all attempts to deal in longer-term securities on the ground that it would interfere with the workings of the money market. So he found the proposal objectionable, taking the view that if it was meaningless, it should not be in the legislation, and that if it had meaning, it would be a dangerous infringement on the Fed's independence.

Martin's tough attitude swayed Secy. of the Treasury Robert B. Anderson and Pres. Eisenhower. On Monday, the three met at the White House in what was billed as a "routine" meeting of the Administration's "anti-inflationary"

committee, which also includes Raymond Saulnier, chairman of the Council of Economic Advisers, and Don Pearlberg, the President's assistant for economic affairs.

• **Strategy Session**—There is no doubt that the proposed bill was a subject for discussion. Probably the argument that most impressed Eisenhower and Anderson was that European countries would interpret the Fed amendment as a sign that the government's credit was in such a shaky position that it required the full support of the Fed. Thus, passage of the bill might lead to a faster drain on the U.S. stock of gold.

The argument that the amendment would lead to such a conclusion on the part of Europeans is by no means open-and-shut. The alarm felt in Europe about the threat of U.S. inflation has died down, and the Treasury's ability to sell long-term bonds might more than offset any doubts that the stricture on the Fed would raise.

But the Fed insists that the international position of the U.S. dollar may be at stake. In fact, Martin and other officials consider that international considerations are now as important as any domestic factor in the making of money policy. And no matter how mild the amendment appears, it is Martin's view that the Fed's ability to fight inflation would be impaired.

• **New Position**—From every indication, Martin's strong stand shifted the Administration. At his Wednesday press conference, the President expressed "deep concern" over both the two-year provision and the Fed amendment. And Treasury officials now say they are against the bill, as it stands, because it would be "extremely unworkable."

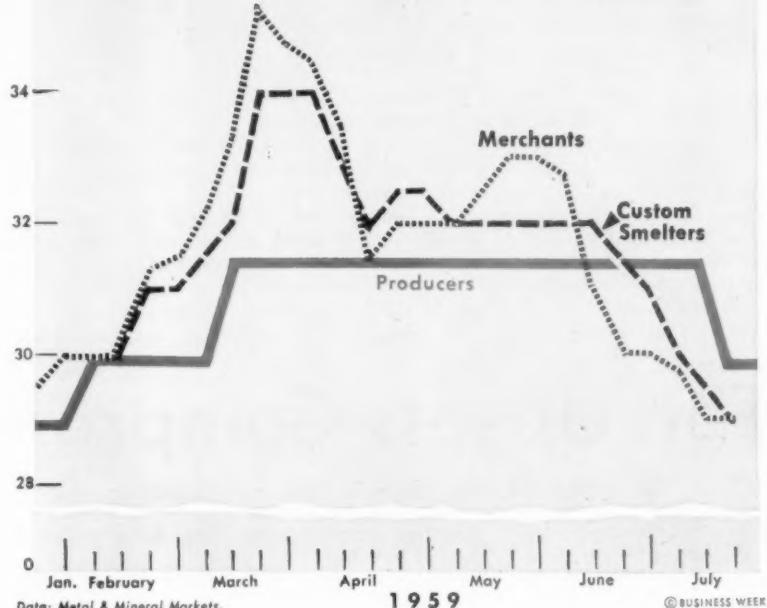
It is clear that the whole struggle is over the Fed amendment. According to one Administration official, if even the mild and vague language of the bill is allowed to stand, it would be an "open invitation to the Senate to write a tough amendment."

Both Fed and Treasury officials denied there was any rift between Anderson and Martin. At first, it appeared that a split had developed. But Anderson moved fast to heal the breach, at least in public, when Martin made his opposition clear.

• **Politicking**—The Fed's attitude is hurting the Treasury's request for elimination of the ceiling. Without an amendment on the Fed, Democratic opposition to a bill may prove too strong. The Democratic leadership is apparently willing to go part of the way to meet Anderson, but they feel that a hard core of Democrats is prepared to fight Martin as hard as he is fighting them. In fact, criticism of the Fed is probably much more intense in the Senate than in the House.

U. S. Copper Prices Tumble

Cents per lb.
36



Big 3 Join In Price Drop

Falling copper prices caught up with the major producers in the U.S. this week. Kennecott, biggest U.S. copper producer, July 14, cut its price $1\frac{1}{2}$ ¢ to 30¢ a lb. Other major producers immediately followed suit, also dropping their prices to 30¢ a lb.

Industry analysts were not surprised. Prices charged by custom smelters and merchants for copper of identical quality and shape had been coming down for several months (chart).

• **Quick Reaction**—Phelps Dodge, one of the big three in U.S. copper, coupled its price cut with an announcement that it was cutting back output by 7% from its rate in the first half of 1959. Though other producers have not announced production cuts, it is believed they also will move to reduce supplies in an effort to prevent prices from dropping as low as they did in 1957 and 1958. Some feel they moved too slowly in 1957, causing prices to fall more than necessary.

But if history repeats itself, the $1\frac{1}{2}$ ¢ price cut by producers may be only the first of a series. The last time copper prices declined, the slide began in the middle of 1956, continued all through 1957, and didn't come to a halt until early in 1958. In the current situation, production cuts and strikes could kill a downward trend.

• **Classes of Sellers**—Actually, there isn't one price of copper. There are

three different classes of sellers of primary copper and the prices charged by the three groups generally are different—and often revealing of the way in which the market is moving:

(1) **Producers**, who mine, smelt, and refine copper. They account for the bulk of copper sales, usually selling their product as refined metal or such products as sheet, rod, wire.

(2) **Custom smelters**, who ordinarily do not own mines but buy from small miners and from scrap dealers.

(3) **Merchants**, who import copper to the U.S. They also import ore and have it smelted and refined for them by custom smelters.

• **Important Relationships**—There is a definite relationship between the prices charged by the three groups.

Merchant prices are the most volatile. In a steady market they may differ little from custom smelter prices. In a rising market, they are usually above custom smelter prices, and in a falling market, they are likely to be lower.

Custom smelter prices have somewhat the same relationship to producer prices as merchant prices have to custom smelter prices.

Prices charged by producers for primary metal are rather stable in the U.S.

• **Buyers' Preferences**—Buyers consider producers the most constant suppliers and feel that in the long run average prices charged by producers are no

higher than those charged by other sellers. Buyers are willing to pay somewhat higher prices at times in order to maintain a "position" with the producers when copper is in short supply.

Next in line of preference with buyers are the custom smelters. Merchants come last because their supplies fluctuate widely and so do their prices. Purchasers usually buy from merchants when they are short of metal and cannot get enough from other suppliers—at this time all prices are likely to be high—or when merchant prices are far below those of other sellers.

Basically, of course, copper prices react to the laws of supply and demand. But copper analysts point out that merchant and custom smelter prices respond well before producer prices.

• **Past Experience**—Shortages in 1955 and early 1956 pushed all copper prices up. Custom smelter prices bounced up to 54½¢ a lb., merchants to 55¢, and producers to 46¢. Then a long decline set in. Merchant prices were the first to drop, followed by custom smelters, and finally producers.

The low point was reached early last year. At that time, the producers price had dropped to 25¢ a lb. In March, 1958, custom smelters dropped to 22½¢, and merchants were 1¢ lower.

• **New Rise . . .**—From then on, prices of the three classes of sellers rose, with some interruption, until early this year.

Increasing demand, especially in the U.S., where recovery from the 1958 recession was under way, pushed up copper prices until March, 1959.

Early in that month, U.S. producers raised their prices to 31½¢ a lb. During the first half of the month custom smelters sold as high as 34¢ and merchants as high as 35.3¢.

• . . . and Another Decline—The edge came off this market late in March. Statistics on world output showed that stocks were rising, as 1959 began, after a decline of many months.

The effect of increasing supplies on the U.S. market was softened by the possibility of widespread strikes in the copper industry and also by the belief that copper demand would increase.

Nevertheless custom smelter and merchant prices continued to fall. A further indication of the downturn is the price drop on the New York Commodity Exchange and the London Metal Exchange for hedging contracts. The exchange prices rarely get far out of line with merchant prices, but, when changes are in the wind, the exchange prices are likely to anticipate them. In this case, they led the way down.

• **Producers Act**—On July 8, following the price drops on the exchanges, merchants in the U.S. were offering copper at 29¢. On July 13, custom smelters cut to 29¢. Then the producers announced a 1½¢ cut to 30¢.

Merger in the Getty Empire

Plan to merge Tidewater Oil and Skelly Oil would create another \$1-billion oil company, and give Getty a coast-to-coast market for his companies' products.

Last week, Tidewater Oil Co. and Skelly Oil Co.—two of the major satellites in the oil universe controlled by J. Paul Getty (BW-Jan.11'58,p59)—reported that a merger was in the works. The result would be a billion-dollar oil outfit that would rank 12th among U.S. oil companies in both sales and assets.

The merger announcement was made by Getty's son, George F. Getty II, president of Tidewater, who said that talks are now being held to button down the details of the merger.

Getty's announcement touched off a spate of rumors in Wall Street that the merger might extend to other Getty holdings, principally Getty Oil Co., and Mission Corp. However, J. Paul Getty, when questioned by BUSINESS WEEK reporters in London, said the merger would involve only Tidewater and Skelly.

• **Import Quota Upset**—As to why the merger is being pushed at this time, the reasoning goes as follows.

Tidewater has plenty of refining capacity in this country, and plenty of crude in the Middle East. But Tidewater says that because of the way import quotas have been set up, it isn't in such a good position.

For one thing, neither its old Bayonne (N.J.) refinery nor its new Delaware City (Del.) facility were operating during the base period for the setting of quotas. So the company now has a quota that is not based on its former refining capacity, and which, therefore, doesn't begin to meet the needs of its present capacity. Another bad factor is that import quota rates decrease proportionately as refining throughput increases, which puts the company at a disadvantage with its big refineries.

• **Marketing Plus**—The increased importance of marketing is another general factor in the proposed merger. "The operations of Skelly and Tidewater would put the combined company in a more competitive position," says George F. Getty. "Skelly has greater crude oil producing capacity than presently used by its refineries. Tidewater on the other hand has refinery capacity and crude oil requirements in excess of its crude oil production. A merger would give the combined company a better balance between crude supply and refinery crude requirements."

Tidewater markets petroleum products in the eastern and western states. Its two refineries—one at Delaware City,

the other at Avon, Calif.—produce a complete line of refined products, except that the Delaware refinery doesn't manufacture lubricating oils and greases.

Skelly's refining and market operations are conducted in the central part of the country. A merger would provide more complete service across the country, Tidewater's Getty says, and make the combined operation more competitive within the industry.

Both companies have oil and gas exploration and development operations in the central part of the U.S., extending from Canada to Mexico. While Tidewater's major exploration and development activities are concentrated in southeastern Texas and Louisiana, Skelly's production is principally in west Texas and Oklahoma. Tidewater also has exploration and production in several foreign countries.

• **Wooing the Stockholder**—The second way in which Tidewater and Skelly are proceeding with their merger plans is probably largely for the benefit of the stockholders.

It's true that J. Paul Getty controls both companies, and can do pretty much what he wants with them. But it could cost him in the process. Minority stockholders' suits are much in fashion, and a small stockholder can kick up a lot of trouble.

So, the ground rules that were announced this week are painstakingly deliberate in details. All phases of the companies' operation are being reviewed by joint committees with the aid of outside technical experts and appraisers, to evaluate the assets within each phase. Earnings for both companies for several years back will be recalculated on a common basis, and new common forecasts of future operations and earnings will be made.

Once the preliminary work is done, the recommendations of the several committees will go to a "general committee" composed of Tidewater's Getty, Skelly's Pres. John S. Freeman, and petroleum consultants. Finally, the proposal will be submitted to the stockholders who, by that time, should be convinced that the merger is not taking place on the spur of the moment.

The proposal involves an exchange of stock—similar to the Mission Development-Getty deal last year (BW-Apr. 9'58,p135).

At midweek, the only doubt seemed to be what the Justice Dept. would think of the merger.



DISABLED JET, flanked by foam truck, shows only minor damage just after pinpoint landing at Idlewild.

CURIOUS CROWD, drawn to airport by TV and radio news, creates greater hazard than plane.



An Airport Can Deal With a Jet—

Crowds that swarmed over Idlewild to watch jet land point up problem for which authorities have no answer.

At about 9:15 last Saturday night, television sets all over the New York City area suddenly blossomed with special bulletin signs, and radio sets blared the familiar "we interrupt this program for a special news announcement."

Several million people suddenly learned that a London-bound Boeing 707 jetliner with 113 souls aboard had dropped part of its landing gear and would make a crash landing at New York International Airport (Idlewild) within a few hours.

As a result, frantic airport authorities found themselves suddenly threatened with a disaster greater even than the crash of a great plane. Within minutes, they had to deal with a mob that interfered with efforts to save the plane, a mob that was itself vulnerable to wholesale injury, a mob that in itself constituted a sort of disaster.

• **New Civic Problem**—As civic authorities all over the country realized the next morning, this sort of disaster is

something that could happen almost anywhere and in connection with almost any dramatic event. It probably will happen again in the near future. It is a product of great concentrations of population, almost instantaneous mass communications, and human curiosity. As such, it threatens to become one of the major problems of our time.

As it happened, the plane finally came in safely, and tragedy was averted. But if there had been an accident, the number of victims among the 113 persons on the plane could have been multiplied many times among the thousands of milling spectators. Because of the confusion and spreading traffic tangles, authorities would have been powerless to get many injured to hospitals.

Yet, the next morning, civic authorities racking their brains for a way to prevent the recurrence of such a mob scene could come up with no answer.

• **Free-for-All**—When the first news broke last Saturday, homebound apartment dwellers, returning from Long Island beaches, bored couples with a dull Saturday night on their hands, teenagers out for spin in the jalopy, all turned toward the sprawling airport. Within an hour after the first announcement, curiosity seekers had

jammed every approach to Idlewild, were parking their cars in fields and climbing fences or cutting across taxiways and runways at the risk of life and limb.

By the time the Pan American World Airways jet landed at 12:28 a.m., with minor damage and no serious injuries, an estimated 40,000 people were pressing to see what happened.

There was the inevitable heart attack in the middle of the long line of jammed cars. On the way home, a bunch of teenagers in an old car crashed into a concrete abutment.

And long after the jet had landed Port of New York Authority firemen, letting go with a foam firehose at a crowd of curiosity seekers around the plane, also doused several dozen newspaper, radio, and television reporters—among them Gabe Pressman, president of the Radio-Newsreel-TV Working Press Assn. Pressman and others immediately filed telegrams protesting malicious and vicious treatment of the working press.

• **Recriminations**—So when the first joyous cheers quieted down after the big plane came to a halt on the runway and everyone had congratulated everyone else on a magnificent job—which it



But a Mob is Different

undeniably was—everything turned sour in a hurry.

Pan American Pilot William Sommers, after bringing his ship into a perfect landing, complained mildly about the crowds of people lining the runway. New York City Fire Commissioner Edward F. Cavanaugh, piqued at the division of authority between emergency crews of the Port Authority—which controls the airport—and his own Fire Dept. blasted the Port Authority for “interference.”

From the Federal Aviation Authority came a strong protest against the “carnival atmosphere,” along with orders not to let it happen again.

• **What Really Happened**—In the subsequent confusion, what actually did happen almost got lost. BUSINESS WEEK’s on the scene reporters and later interviews with principals reconstruct the main event this way:

At 8:37 p.m., Pan American flight 120, carrying 102 passengers and 11 crew members, left the runway, soared over the heads of the Port Authority sound monitoring crew that checks every jet take-off for sound level and climb-out procedure.

The sound crew noticed something fall from the jet plane’s landing gear

and splash into Jamaica Bay. They notified the tower, which passed the word to Pilot Summers at 8:45. After examining the gear through portholes, the plane’s crew discovered that the forward pair of wheels on the four-wheeled main landing trucks on the left side had dropped off. Two wheels remained, but slanting down in front of them was the remainder of the high-strength steel tube that connected the axles of the paired wheels. The tube, on landing, would obviously dig into the runway.

• **Preparing**—Sommers radioed the control tower to prepare for an emergency landing, requested that 3,000 ft. of runway be covered with foam—the kind used in fighting fires—both to lubricate a belly landing if it might be necessary, and minimize the chance of fire if gas tanks were punctured.

By the time the jet had dumped its fuel load and the runway was covered with foam, it was well after midnight. Fire trucks from neighboring towns were lined up on the taxiways next to runway 31 where the big jet was to land. Pan American’s maintenance crews were ready with giant bags to place under the wings and jack the plane up so it could be put on a dolly and towed off

the runway. The foam trucks were set to escort the plane along the runway as soon as it landed.

Ambulances were spotted at each runway intersection, their red lights flashing. A huge advertising spotlight was pulled into position and the operator yelled “Where in hell do they want me to point it?” Half a dozen or so priests waited for the worst to happen.

• **Landing**—The big plane circled the field at a lower and lower altitude, finally made a smooth approach, left wing slightly raised. It settled into the runway. Pilot Sommers let go with all four thrust reversers on the powerful jet engines, the lame landing gear dug into the concrete in a shower of sparks, and the plane came to a sliding stop—dead center in the runway and pointing straight down its length.

The passengers were whisked out of the plane in about a minute and a half, piled into buses and driven to Manhattan’s Prince George Hotel, where Pan Am reserves many rooms for its transient employees. Pilot Sommers grinned a huge grin, a truly happy man.

• **Bedlam**—On the field, the crowd broke through police lines, streamed out on the field to look at the big plane. “They’re coming up out of the grass,” screamed one harassed cop, with two youngsters collared and a third running for the plane. Another guard later reported he shooed two people in frogman suits back into the bay.

Confusion reigned, and flights into and out of the airport were delayed for about an hour to avoid pedestrians, many of whom got lost in the glare of blue runway lights, fire engine blasters, and searchlights.

By and by, the plane was hauled off to Pan Am’s maintenance hangar. Wednesday it was back in service.

• **Battle**—But the battle between the Port of New York Authority and the Fire Dept. and FAA had cooled only slightly. Foam-spattered reporters were delighted to fan the flames. Pan American, eager to get the whole thing over, had Pilot Sommers take a quick jet to London, dispersed the crew to far parts of the globe.

Port Authority Commissioner of Aviation John R. Wiley explained that with 18 miles of airport border, only a small part of it fenced off, it was impossible to handle the crowd.

• **The Real Problem**—The real problem, said Wiley, was the public: “And if it happened again it would be just the same.”

He asked the press to try to figure out an agreement for delaying an announcement of emergencies. But to the Associated Press, which had scored a 48 minute newsbeat on the United Press International, and to other newsmen, the chances of such an agreement looked slim indeed.

Turbine Price Cuts, but No War

● GE's reductions of 2½% to 13% will mean industry wide slash on large steam-electric turbine-generators.

● But with signs of industry revival, there's little likelihood of repeating "white sale" of a few years ago.

● One sign of new life: Westinghouse announcement of \$25-million expansion of its generating equipment plants.

An industrywide reduction in the prices of large steam-electric turbine-generators became certain this week after General Electric Co. announced cuts ranging from about 2½% to as high as 13%.

The other major manufacturers in the field, Westinghouse Electric Corp. and Allis-Chalmers Mfg. Co., said they would continue to be competitive—indicating that they would follow GE's lead.

GE's reductions ran from \$1 per kilowatt on a 200,000-kw. turbine-generator to \$4 per kw. on a 600,000-kw. unit. In addition, GE will absorb 2½% of any price increase that might result during the life of a steam turbine-generator sales contract from the application of a wage escalator clause.

GE also is cutting prices on a line of small (500- to 4,000-hp.) mechanical-drive generating units made for the chemical and petroleum industries. The cuts go as high as 15%.

• **Price War Unlikely**—It seems unlikely that the reductions will lead to a price war like the "white sale" that rocked the power transmission equipment industry a few years ago (BW—Nov. 17'56, p150). As a spokesman for one company pointed out, price wars usually break out in a declining market. The steam turbine-generator business, which has been in the doldrums for the past year or so, now is showing signs of reviving. In fact, Westinghouse this week announced a \$25-million expansion of its generating equipment facilities.

The price cuts, GE said, were made possible by engineering design innovations on large turbine-generator units and by improvements in manufacturing techniques. Over the past five years GE has been modernizing its big Schenectady (N. Y.) turbine-generator plant to increase productive efficiency. This program involved installation of larger, automated machine tools (BW—Jun. 20-'59, p145), new layouts, and new methods. Allis-Chalmers completed a large-scale expansion of its West Allis (Wis.) works two years ago.

• **Foreign Competition**—GE spokesmen deny there is anything behind its price action beyond a desire "to keep

power costs down." But some sources say there are other competitive reasons.

Competition from foreign equipment suppliers has been getting steadily stronger. Alarmed by the success low-bidding foreign companies have had this year in winning contracts for federal power installations, domestic manufacturers have been trying to get a ban on imports of heavy electrical equipment. The Office of Civil & Defense Mobilization turned down their plea in the case of hydroelectric equipment (BW—Jun. 20'59, p29). The American companies are not expected to have any better luck on steam.

Meanwhile, there are indications the competition may spread from the government market into the hitherto safe utility market. Britain's English Electric Co., Ltd., and Switzerland's Brown Boveri Corp. were among the bidders on a recent Florida Power & Light Co. contract—though an American Company will get the job because the utility decided on a 300,000-kw. unit, "larger than any that the foreign concerns could deliver" by the May 1, 1962, delivery date.

However, C. A. Lilly, Jr., manager of marketing for GE's large steam turbine-generator department, asserts foreign competition had "nothing to do with our decision." Most of the foreign competition has been in units below 200,000 kw., he points out. Moreover, GE's reduction still leaves its generator prices well above those quoted by the foreign companies. "We are not going to try to compete with them on a price basis," Lilly said.

• **"Identical Price" Dispute**—The electric equipment industry is also agitated over complaints by local, state, and federal agencies that competing U. S. manufacturers submit identical prices in bids (BW—Jul. 11'59, p30).

A federal grand jury in Philadelphia is investigating the charge, and Sen. Estes Kefauver's Antitrust & Monopoly Subcommittee also plans hearings. GE's Lilly denied that this issue was related to the price cut, pointing out that both investigations concern transmission and distribution equipment, not generators.

• **Westinghouse Expansion**—GE's price

action came just as Westinghouse had made up its mind on a modernization program like the one to which GE gives the credit for its ability to cut prices.

The chief item in the Westinghouse plan is a two-year \$21-million renovation of the company's steam turbine and heat transfer equipment plant at Lester, Pa., near Philadelphia. Capacity will be increased by one-third, but there will be little construction of new facilities. Emphasis will be on plant rearrangement, new tools, and new production techniques.

Besides the \$21-million expansion at the Lester plant, Westinghouse is spending \$3-million-plus at East Pittsburgh to expand the rotating apparatus department which builds generators for electric utilities and large motors, and another \$1-million for more and larger machine tools for the manufacture of smaller turbines at Sunnyvale, Calif.

For the Lester plant, Westinghouse is buying \$14-million worth of bigger and more efficient tools. It also is rearranging the plant's layout to cut by 25% the time parts are in transport, and is shifting to turbine construction by combining of modular basic components to meet customer specifications. These changes will add to productive capacity by shortening the manufacturing cycle.

• **Aims**—Westinghouse is expanding for two reasons. First, it needs the added capacity to fill electric utility orders that are starting to stream in now. Production, which lags two to three years behind orders, will start building up during 1961 and rise to a peak some time in 1962-64. Based on the rule-of-thumb tradition that utility growth in kilowatt output doubles every 10 years, the company foresees another period of heavy demand in 1967-69.

Beyond that, Westinghouse wants to be able to manufacture bigger equipment. In 1954 about half the market was for units under 100,000 kw. Now 85% of the demand is for larger units, and Westinghouse expects this to hold.

• **Redesign**—The decision to modernize the plant near Philadelphia rather than build a new one was based largely on cost considerations. Renovation will cost one-fifth to one-fourth as much as a new plant of the same capacity.

Besides relocation of tools to save time, there will be new and bigger tools, including electronic measuring devices, a computer-controlled milling machine, a 16,000-lb. steam-accelerated hammer, and a 16-ft. milling planer. These will handle construction of larger units.

All this rearrangement and retooling will facilitate manufacture and assembly of the final product with "pre-engineered" basic components.

Unique barge moves lubricants up-river in bulk for canning at Sinclair's new Birmingport, Ala., plant. Deck warehouse holds packaged products for deliveries en route.



Cleopatra Would Love Sinclair

For the fabulous Egyptian queen, only the rarest of barges served for sailing the river Nile. "The poop was beaten gold . . . the oars were silver," Shakespeare tells us.

As a connoisseur of the finest in river carriers, Cleopatra would be intrigued by this unique barge developed by Sinclair. Not precious metals, but a wealth of new ideas went into it. Designed by Sinclair Refining Company engineers, it is the first ever built to carry many grades of finished lubricating oils in bulk. A special "double skin" insures against contamination, a danger that discouraged such barging before.

Used to move lubricants from refinery to a regional packaging plant, the new barge affords

substantial economies in distribution to growing Sinclair markets. It demonstrates concretely the Company's leadership in pioneering new and more efficient operating techniques.



A Great Name in Oil

SINCLAIR OIL CORPORATION • 600 FIFTH AVENUE • NEW YORK 20, N. Y.

Biggest Stockholder of All

Personal trust accounts own far more common stocks than any other group, ABA survey shows for the first time. Holdings far exceed those of mutual funds and pension trusts.

Traditionally, commercial bankers have been close-mouthed about their personal trust business. But this week, for the first time, they published a survey showing just how much money they are managing for individual and family accounts and what they're doing with it.

The results are startling. According to the survey, which was sponsored by the American Bankers Assn., nearly \$50-billion was held in personal trust accounts at the end of 1958. By far the largest portion of this amount—\$31-billion, or 62%—was invested in common stocks. This makes the personal trusts the largest holders of commons, dwarfing the \$11.8-billion held by members of the National Assn. of Investment Companies and the \$9.5-billion held by corporate pension funds.

• **Market Effect**—Just what the impact of this huge common stock holding is on the stock market isn't clear as yet. This is the first time the ABA has ever collected data on the personal trusts, so no one knows how large they were a year ago, or five years ago, or how their investment policy has changed over the years.

Most bankers feel, however, that the personal trusts don't produce the same steady flow of new cash that makes the mutual funds and pension funds such potent forces in the market place. Thus, for all their huge size, they may have a lesser impact.

• **Surprise**—The heavy investment in common stocks is a surprise even to the bankers closely connected with the survey. Previously, the only information available on the investment policies of trust managers was the Federal Reserve's annual survey of common trust funds—which are only a tiny 4.3% of the personal trust total. Common trust funds are set up to pool small trusts, so as to cut the cost of investment management.

Bankers have been more conservative in their investment of the common trust funds than in their management of personal trusts. Last year, for instance, they had only 53% of common trust assets in equities, compared with 62% in all personal trusts.

• **Bond Holdings**—Next to common stocks in importance in trust holdings are tax-exempt municipal bonds. A total of \$7.8-billion—or 15.7%—was invested in these bonds. Bankers point out that the trusts are subject to regular income tax rates, running up to 91%, which makes the tax-exemption very attractive.

Other trust holdings include \$2.5-billion in U.S. government securities and \$2.3-billion in corporate bonds; the balance is held in preferred stocks, mortgages, and "other" miscellaneous assets. These "other" assets include businesses left in trust for heirs and managed by a bank's trust department.

• **Limitations**—ABA stressed that its survey covered only the bank-administered personal trusts. All trusteeships run by lawyers, accountants, or other individuals were excluded from the survey, as were estates, pension and profit-sharing trusts, investment advisory and

management accounts, and other miscellaneous bank investment activities.

Based on a random sampling of 121 banks across the country, the survey will be repeated in future years and will form the basis of the first "reliable" statistical series on the activities of the personal trusts.

• **Good Business**—For the banks themselves, the size of the trust holdings bodes well for the future. Trust business always has been one of the most profitable banking services.

In New York, for example, which is fairly typical, annual trust fees are \$5 per \$1,000 for the first \$50,000 in the account; \$2.50 per \$1,000 for the next \$450,000; and \$2 per \$1,000 for amounts over \$500,000. In a well-managed bank, the trust department can provide a profit margin of as high as 20%. These earnings tend to be stable, cushioning the impact of swings in interest rates.

New Help for Rail Commuters

Philadelphia mayor proposes a nonprofit corporation to run the city's 12 lines with lower fares and better service.

Philadelphia takes the lead this week among cities that are trying radical measures to solve the problem of maintaining railroad commuter services. Mayor Richardson Dilworth has proposed formation of a nonprofit corporation to run the commuter railroad lines that serve Philadelphia.

Twelve commuter lines, carrying about 100,000 passengers a day to and from the city, serve Philadelphia. But for a start Dilworth's scheme would apply to only three of the lines. These three—the Pennsylvania's and the Reading's Chestnut Hill lines and the Reading's Fox Chase line—are already working under experimental city-railroad contracts that provide for increased service, reduced fares, and subsidies (BW-Apr. 18'59,p38).

• **Program**—The nonprofit corporation, made up of representatives from the city, the railroads, and the rail labor unions, would first take over management of these three lines, buy new rolling stock, and electrify one line. The increased services, fare cuts, and tie-ins with the city's bus system would be made permanent, and parking lots expanded and relocated. The railroads would still own their tracks and their old commuter coaches. The corporation would own the new rolling stock, and though it would pay the railroads to operate the trains, the corporation would run everything else, from service and fare schedules to financing.

This first part of the modernization program, according to City Solicitor David Berger, would cost about \$10-

million. Financing would be by loans or bond issues, to be met by operating revenues and probably backed by the city's credit.

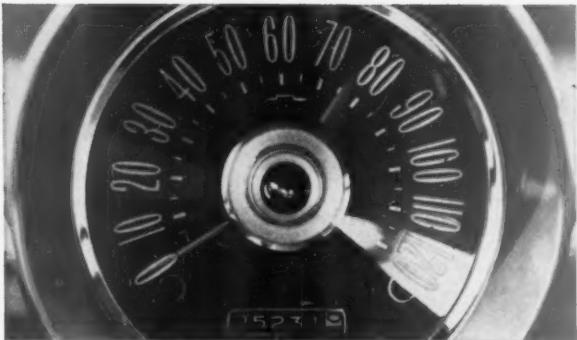
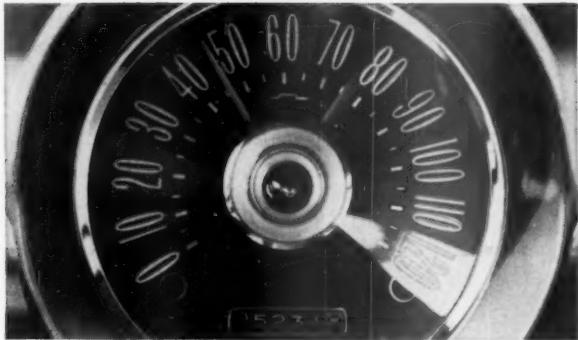
Farther off lies that part of the plan that calls for the corporation to operate Philadelphia's nine other commuter rail lines which extend beyond the city boundaries. The three lines involved in the first part of the plan lie within the city. To apply the scheme to the nine means getting approval—and probably financial aid—from the suburbs' local governments. To renew equipment on all 12 lines would cost \$40-million to \$45-million.

• **Surprise**—To all this, the railroads give a cautious assent—understandably cautious, because scores of details within the broad plan remain to be worked out.

City Solicitor Berger, who is chiefly responsible for the plan, says he believes that the nonprofit corporation, by attracting more passengers to the rails, can reduce and perhaps eliminate the commuter deficits on the 12 lines.

But before this can be tested, the city and the railroads will have to decide what functions the nonprofit corporation would take over, who would pay for maintenance of tracks, and just what costs would be involved. And before it can move, the city may have to hold a referendum.

It's Berger's guess that if negotiations continue at their present rate, the nonprofit corporation probably will be formed about November and the modernization program started by January.



Covering the miles . . . or marking time

Chevy keeps on cutting fleet costs!

Out on the road there's not a car in Chevy's class that can move over the miles more economically. A pair of Chevrolet sixes finished first and second in their class in the Mobilgas Economy Run—ahead of any other full-size car. And the winning average was a whopping 22.38 miles per gallon! But this is only one of the ways Chevrolet cuts your

fleet costs. Even after the engine's turned off, Chevy does better by your books—because its depreciation rate is lower than any other leading low-priced car. A look at last year's used car prices* shows Chevy averaged up to \$128 more than comparable models of the "other two."

*Based on Guide Book figures of the National Automobile Dealers Association

Check your dealer on these other Chevrolet fleet advantages:

Dollar-saving dependability—
Chevy cuts downtime and maintenance costs like no other car in its field.

Roomiest car in its field—
more hip room, more head room and plenty of luggage space, too.

Bigger, longer wearing brakes—built for up to two-

thirds longer life with more lining area than any other car in the low-price field.

Stronger Tyrex cord tires—
last longer, make driving safer. Wheels and tires are balanced as a unit at the factory.

Hydraulic valve lifters—oil-hashed assurance of smooth,

quiet performance that eliminates tappet adjustments.

*Chevrolet Division of General Motors
Detroit 2, Michigan*



2-Door Biscayne Sedan

From the time you buy to the time you trade . . . Chevy's your best fleet investment

In Business

St. Louisans Double Their Earnings Tax By 9-1 Vote—It Hits Non-Residents, Too

By a 9-1 acclamation worthy of a proposed tax cut, St. Louisans this week voted to double the city tax on their earnings to a full 1%. By a neat political paradox, the levy—expected to yield an annual \$10-million—actually will mean less taxes for the city's residents. Here's why:

The money had to be raised somehow, and the alternatives were:

- Four "nuisance" taxes that would fall exclusively on city residents.
- The higher tax on income earned in the city, which must be paid by non-residents, too.

The St. Louis voters, noting that some 150,000 non-resident workers—about a third of the city's labor force—would have to help pay for city services, happily chose the earnings tax.

The St. Louis move is one more attempt to cope with the common big city problem of having upper-bracket taxpayers move to the suburbs, while continuing to enjoy city services.

Ford Foundation Grants \$4,969,000 For Economics, Business Research

A mixed bag of research and training programs in economics and business administration this week shared \$4,969,000 in Ford Foundation grants.

The biggest award was \$2.5-million to support for 10 years the work of the National Bureau of Economic Research, headed by Arthur F. Burns, former chairman of the Council of Economic Advisers. The private bureau, which developed national income concepts and statistics, is now pointing most of its research at problems of economic growth (BW-Jun.20'59,p31).

To the National Commission on Money & Credit went \$800,000 for "the first detailed study of the nation's financial structures since 1911."

Disposal of Radioactive Wastes In Seas and Streams Considered

With some 300 nuclear-powered ships expected to be in service by 1975, the time has come to chart safe areas for dumping of radioactive wastes. That's the conclusion of a committee set up by the National Academy of Sciences and the National Research Council.

The committee assumed that such high-level wastes as spent fuel would be buried ashore. But it stressed that even low-level wastes—such as overflow from the coolant system—should not be discharged in harbors, fishing areas, or within two miles of shore. It conceded that submarines could not always observe this rule.

The committee urged that an international monitoring system should be set up to determine the effect of the wastes that are dumped.

In the first antipollution action of its type, the Vanadium Corp. of America has agreed to stop discharging radioactive wastes into the Animas River, at Durango, Colo. The agreement came after the Public Health Service revealed that 30,000 persons downstream from the plant were getting 40% to 160% above permissible levels of radioactivity in their water.

Caution Urged on State Tax Curbs

The National Assn. of Tax Administrators last week asked Congress to look before it leaped into any curbs on the power of the states to tax the income of corporations in interstate commerce. NATA suggested that Congress set up a study commission, with state representation.

The specific target of the request was a bill to limit the state tax power to cases where a company maintains an actual place of business, and to exclude those that merely send in traveling salesmen.

Business Briefs

Production set another new high in June, the Federal Reserve Board's index rising to 155. The rise was 2 points for the month plus a revision which increased the gain during May to 3 points. This marked the 14th consecutive monthly rise since the recovery got under way in May of last year, and it extended the rise to 27 points or a little better than 21%.

The Big Three's upcoming compact cars are off to a fast start. Hertz Corp. announced this week that it is ordering a 4,500-car assortment of GM Corvairs, Ford Falcons, and Chrysler Valiants, for a total expenditure of \$10-million.

Texaco, Inc., took another expansion step this week when it arranged to buy Paragon Oil Co., of New York, a major fuel oil distributor which owns a tanker fleet, an oil burner manufacturer, and a big import allowance for residual oil. The price has not been announced.

The American Institute of Certified Public Accountants this week mailed to members its long-delayed clarification of its recommended method for treating tax reserves for accelerated depreciation (BW-May'59, p25). AICPA whose recommendations carry great weight with courts and government, urges that "deferred tax accounts" should be shown in balance sheets "as a liability or a deferred credit." Three subsidiaries of American Electric Power Co., which use a different method of accounting, tried to block the sending of the letter, but finally lost out all the way through the Supreme Court.

After Aug. 15, Douglas Aircraft is boosting the price of the five variants of the DC-8 jet transport by amounts ranging up to 10%. The 18 planes already on order cost an average of \$5-million.



Military flame thrower fails to damage



Cyclone Steel Fence!

To test the fire and heat resistance of USS Cyclone Steel Fence the lethal fury of an Infantry flame thrower was turned against a panel of Cyclone Chain Link Fabric. The result? The fence fabric was completely undamaged. If this had been an actual installation the fence would have been just as serviceable, just as strong and good-looking afterward, as it had been before.

Tests like this, plus hundreds of in-use accidents, have

proven that USS Cyclone Steel Fence can stand up under all kinds of adverse conditions. Accidents that would destroy other kinds of fence have no effect on Cyclone. Doesn't this prove that Cyclone Fence would be ideal for your next plant or factory installation?

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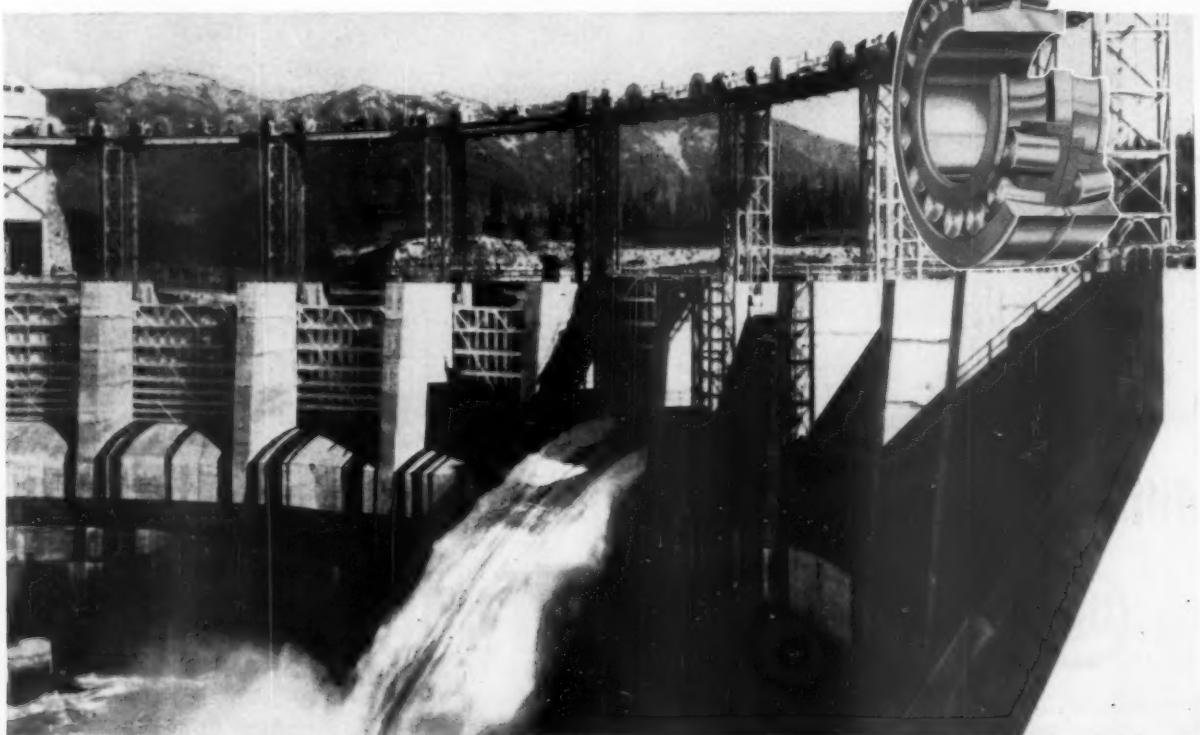
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JULY 18, 1959



Democrats see hard money as a political issue in 1960.

Note what's happening in Congress on the Eisenhower proposal that interest ceilings on Treasury borrowings be removed (page 27). What the President wants is complete freedom from the laws which say that the Treasury can't pay more than 4½% on its general bonds, and which limit the interest on savings bonds.

Democratic Chmn. Butler heads the attack. In Congress, he is getting support from his party's left—mostly newly elected members of the House and Senate from the North and East.

Eisenhower probably will get what he wants. But, in the meantime, the Administration handling of the debt problem and FRB handling of monetary policy will get a close going-over by Congress. Eisenhower aides say that the President will veto, if Congress tries to direct the FRB to adopt an inflationary policy.

—•—

Eisenhower will use Taft-Hartley if the steel strike is prolonged.

Officials discount this in public statements. But in private they say that the President is greatly worried about the damage a drawn-out strike would do to the economy.

There's politics in the issue, in addition to questions of wages and working terms and other considerations.

Nixon has been involved in the steel problem. The Vice-President has been in close touch with both sides in the dispute.

So has Labor Secy. Mitchell. Between the two men, Eisenhower has been under pressure to urge a quick settlement. He has moved in, but in a mild way. He wants to keep the White House out of shirtsleeve mediation.

The unions may turn to the Democrats in Congress to bring on a settlement. One rumor: Steelworker boss McDonald will ask Speaker Rayburn and Senate Leader Johnson to intervene and help force management to terms. Coal boss John L. Lewis did this some years ago, when he took his case to a Republican Congress to help settle a welfare fund dispute.

—•—

Here's the economic reasoning behind rising GOP hopes for 1960:

Eisenhower advisers are convinced the boom is long-term. A survey of opinion shows that most of these men see the uptrend running strongly for the next 18 months, at least. This is unusual. Most economists, whether in or out of government, prefer to limit forecasts to the next six months. But the steel strike makes those shorter predictions less certain, anyway. So many things can upset longer forecasts: war threats, consumer reactions, and so on. But reporters covering Washington can't help noting the general agreement, for the rest of this year and 1960.

The rate of business rise is about to slow down—may be slowing now.

But this is not unexpected. The climb since last fall has been fed from two sources: recovery from the recession, and normal growth.

Growth now is seen as a major influence. The push growing out of the comeback from recession has about worn itself out.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JULY 18, 1959

Here is what has been happening: Business, as measured by gross national product, has made giant leaps in each of the past four quarters. Gains of \$9-billion, \$13-billion, \$14-billion, and \$12-billion have been registered in these quarters.

That pace won't be maintained. Officials say this is a good thing. The slowing down will reduce the upward pressure on prices, and thus moderate the forces which make for inflation. However, as this line of thinking goes, the growth factor will add some \$3-billion to \$4-billion to GNP each quarter. Officials say the economy can take this in stride.

There will be problems.

A new squeeze on profits will develop. During the "recovery period," companies which bought new machines were able to step up their output without adding new workers. This showed up in profits. But now, extra workers are being put on to meet demand. This cost, plus higher raw material and component prices, will reduce profits.

Other costs are rising. Local taxes, state and community, are moving up rapidly. Then, there's the uptrend in wage rates.

Federal tax cut prospects may be dimmed.

There has been a Washington reappraisal of corporate profits—a major producer of federal government income.

Government economists now see profits of about \$47-billion this year. That's big. But it's less than the \$50-billion the same economists talked about a few months ago. Non-government forecasters still hold to the higher level. If the lower level is right, in terms of federal revenue, it means a reduction of nearly \$1.5-billion. This will narrow the room for "tax revision" in 1960. Higher individual income will make up only a part.

Spending still is on the rise. There's no certainty that the Eisenhower budget which goes to Congress next January will be under the \$77.0-billion scheduled for this year. With costs going up, it may well be higher.

—•—

The Senate may vote a school aid bill.

Here's how it's developing: in 1957, Eisenhower backed a limited program of federal assistance on construction. Since then, he has been cold to the idea. The Senate plan now is to put through a bill which would authorize about \$500-million yearly to the states, with part of the money allocated on a "need" basis. Democrats figure Eisenhower will find this hard to veto. It violates his budget position for this year, but it is close to what he asked for two years ago.

—•—

Here's a dark horse for the post of Commerce Secretary:

Sumner G. Whittier, head of the Veterans Administration. He's out of New England, a former lieutenant governor of Massachusetts. Eisenhower has talked with him about the post. Gossip has it that he's strongly backed by the Nixon faction in the party and after a year in the Cabinet might even be a possibility as a running mate, if the Vice-President gets the convention nod next year. Idea is that with Nixon coming from California, this would give the GOP a West-East balance.

ANNOUNCING THE

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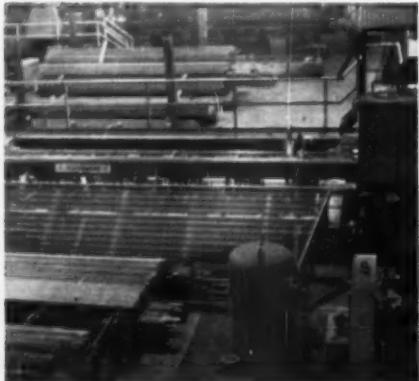
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A touch so light, so responsive... "it's almost electric"... up to 58% less effort than any other standard. Only Underwood, for 64 years the world's best known name in typewriters, could create the new Touch-Master II.* Ask for a demonstration.

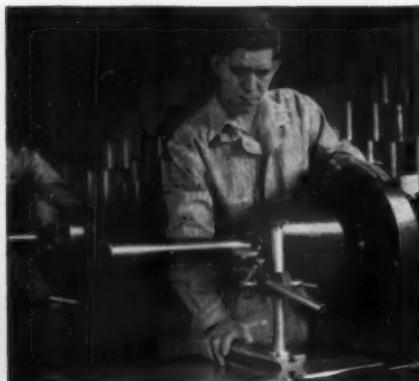
75

There are 75 reasons why
J&L tubular products
are of highest quality

J&L makes over 75 tests and inspections of its tubular products. Here are 18 of them. This stringent control assures a quality never before attainable in the industry.



8 Five lengths of J&L Con-Weld standard pipe undergo simultaneous pressure testing on this modern Schloemann hydrostatic tester.



14 These inspectors are checking thread alignment on Buttress Thread Couplings. Proper alignment is essential to good stabbing and true spinning of casing joint.



1 This ultra-sonic tester is one of the most advanced process control devices used in pipe-making. It provides an immediate picture of weld soundness in all J&L Electricweld Line Pipe.



9 Here J&L Con-Weld standard pipe is being wound around a mandrel. This is another test of the ductility of the pipe and the strength of the welds.



10 This is a flattening test to determine strength of the weld, ductility and other qualities of the steel in Electricweld Line Pipe.



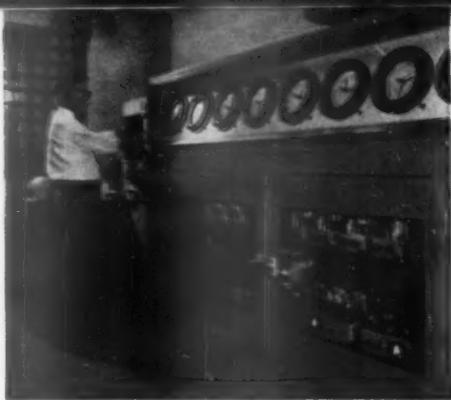
15 Each length of J&L Quench and Temper high-strength casing is subjected to full-length magnetic particle inspection. The slightest surface defect is distinctly visible under the ultraviolet light.



16 This inspector is testing the angle and diameter of the sealing member on pin end of Grayloc Tubing. All dimensional characteristics are checked for accuracy.



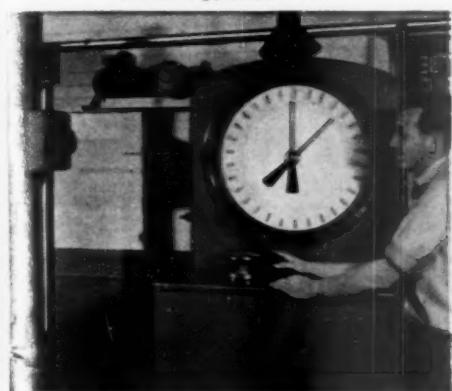
2 J&L inspectors are taking a steel sample from a basic oxygen furnace for thorough chemical analysis. A record of each heat is kept all through the manufacturing process.



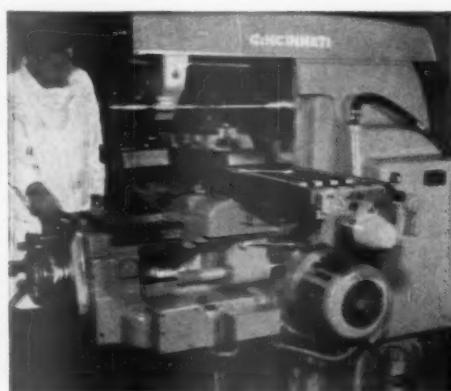
3 This Spectromet unit provides a simultaneous analysis of alloying elements in the J&L steel used for tubular products.



4 In a J&L laboratory, this metallographer is examining the structure of a steel specimen.



5 This J&L laboratory technician is testing a specimen cut from finished pipe to determine its compliance with specified yield, tensile and elongation requirements.



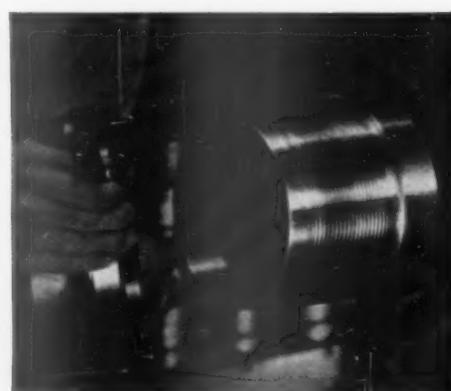
6 This milling machine operator is cutting the notch in a specimen for Charpy impact test. The Charpy test determines notch toughness of the steel.



7 This is the world's highest-pressure production tester. It is capable of applying hydrostatic pressures up to 20,000 pounds per square inch.



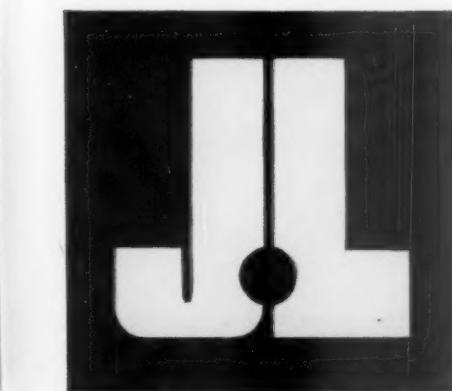
11 This skilled inspector is examining the internal surface and ends of J&L casing to insure further the final high quality of the product.



12 This is one of many dimensional measurement checks made on each joint of Extreme Line Casing (produced under license from National Supply Company).



13 Jones & Laughlin inspector, with surveyor-type transit, carefully checks thread alignment on integral joint drill pipe.



Jones & Laughlin Steel Corporation
PITTSBURGH, PENNSYLVANIA



17 Upset ends of Blue Ribbon and Blue Ribbon Vanadium Drill Pipe and P-105 grade tubing are shot blasted to provide clean surfaces for magnetic particle inspection.



18 This modern collapse testing equipment exerts pressure up to 25,000 pounds per square inch... exceeding all published requirements.



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In Finance

Georgia-Pacific and U.S. Plywood Vie for Control of Lumber Company

Two giant lumber companies are battling for control of one of the richest of the few remaining independent timber operations in the Northwest: Booth-Kelly Lumber Co. of Springfield, Ore., which boasts timber reserves of more than 3-million board feet.

U.S. Plywood Corp. offered to buy all the assets for \$85.5-million, or \$3,906.07 a share. B-K's board approved, and asked stockholders to vote on acceptance July 22. Then Georgia-Pacific Corp. countered by going to the stockholders themselves:

It offered to buy all B-K stock at \$4,250 a share, provided it got at least 51% by July 17.

But there's a slight kicker in the G-P \$95-million offer that worries some of Booth-Kelly's 160 stockholders: G-P can buy as much or as little as it wants of the offered stock if less than 51% is put up.

Some holders are afraid that G-P really wants to pick up only 34% of the stock, enough, under Oregon law, to block any sale or merger. With that much stock, G-P could pretty much dictate when, to whom, and for how much Booth-Kelly should be sold.

British Insurance Companies in U.S. Cope With Losses in Varied Ways

British insurance companies are taking different tacks in trying to offset mounting losses on casualty policies written in the U.S. Faced with heavy losses on auto insurance, plus the fact that rate increases tend to lag behind costs, the companies apparently have concluded you have to be big or not be in the U.S. market at all.

Commercial Union Assurance and North British & Mercantile Insurance—which together do more than \$200-million in U.S. business—laid plans for merger last April (BW—Apr. 25'59, p36). Three companies—Sun Life, Atlas, and Royal Exchange—have put all their American business under common management, in order to reduce operating costs. Two others—the Royal and Phoenix—have decided to prune their U.S. business, be more selective in the risks they write. Yorkshire Insurance was more extreme, sold its interests in the U.S. market at the end of last year.

Mutual Broadcasting System Offers Its Creditors 10¢ on the Dollar

Mutual Broadcasting System, Inc., this week offered its 700 creditors 10¢ on the dollar for the \$3.2-million it owes them. The proposal will be presented for approval before a court referee on July 28.

MBS filed a petition of voluntary bankruptcy after a management shuffle July 1, and Federal Bankruptcy

MORE NEWS ABOUT FINANCE ON:

- P. 47—Utilities Seek Rates Based on Current Costs.
- P. 52—Northspan Uranium Asks Stay on Sinking Fund Payments.

Court granted it permission to stay in business while it settled with its creditors (BW—Jul. 4'59, p26).

Robert F. Hurleigh, Mutual's new president, said the 10¢ settlement offer was worked out with 60 leading creditors, all of whom, he said, appeared ready to accept it. However, a spokesman for the company's leading creditor, American Telephone & Telegraph Co., said that AT&T's position on the \$508,000 due it would not be known until the court proceedings.

Cash to settle Mutual's debts will come from Chester H. Ferguson, Tampa attorney, and Albert G. McCarthy, Jr., Washington real estate man. In time, says Hurleigh, control of Mutual will pass from him to Real Properties, Inc., controlled by Ferguson and McCarthy.

Fed Refines Bank Loan Data

The Federal Reserve this week begins in two major moves to sift even finer the weekly data it collects on bank loans to business. Bank loans made to non-bank financial institutions will be separated out from the "commercial and industrial loans" category and broken into two parts. One will show bank loans to business credit companies, including sales finance companies, personal finance companies, and factors. The second part will show loans to "other" non-bank financial companies—mutual savings banks, insurance companies, mortgage companies, investment companies, savings and loan associations, and Federal credit agencies.

In the second major area, the Federal Reserve says that all weekly reporting member banks in 94 leading cities will report on loans to brokers and dealers and "others" for carrying government securities, as well as other securities.

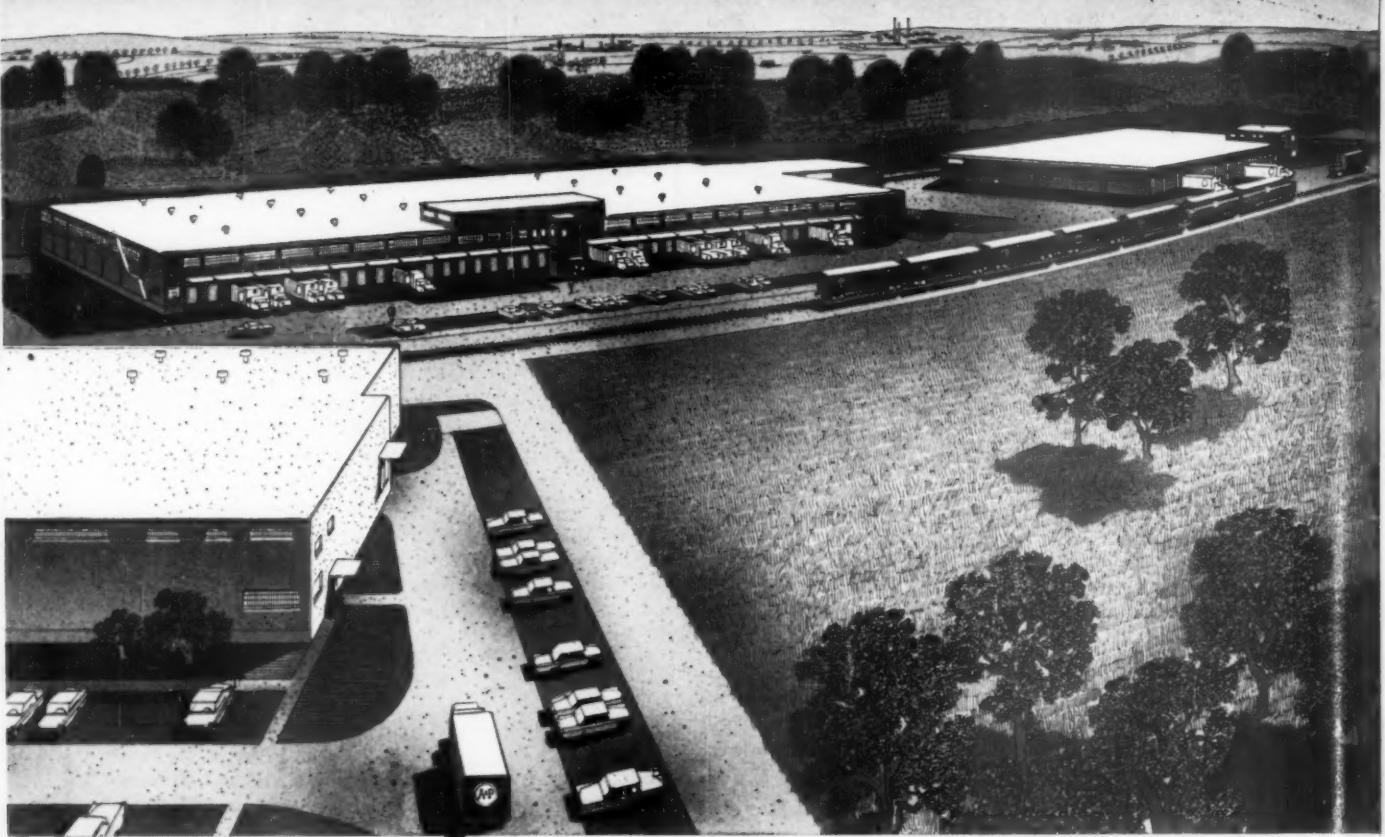
Previously, only New York and Chicago banks broke up the data this way.

Had the Fed possessed all this information last year, it would have been useful in pinpointing the flow of bank money into the speculation in government securities.

Finance Briefs

Allstate Insurance Co. last week signed with Markel Service, Inc., to insure truck fleets for which Markel provides safety engineering services (BW—Jul. 11'59, p76). The company said that the deal will mean about \$20-million in additional premiums, and should make it the largest U.S. truck insurer within a year.

Common stock financing surged ahead in the first half of 1959, and the trend should continue. While over-all corporate financing was dropping 28% to about \$3.5-billion, equity sales jumped up 32.5% to a near-record \$1.3-billion.



A&P's new Elmsford, N.Y. Distribution Center covers nearly 350,000 square feet of floor space. The site was found with the help of the New York Central

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Seeking Rates on Current Costs

With replacement costs of plant still rising, public utilities want current values as the basis for the rates they charge, rather than original cost of plant.

The Missouri Public Service Commission will rule in the next couple of weeks on a request for a \$6.5-million rate increase by Union Electric Co. of St. Louis, the state's largest utility. It's another skirmish in the utility industry's fight for the right to base its rates wholly or partially on replacement costs of plant, rather than original cost.

Union Electric has been waiting nearly a year for the increase, which would allow it to earn 4.86% on the "fair present value" of its property. In computing this value, Union Electric bases 65% on original cost of plant and 35% on reproduction cost (in the same ratio as its fixed-income securities and its common stock, respectively 65% and 35% on the capital account).

While Union Electric has been waiting, its operating revenues last year rose 1.8%, yet its net income dropped 7.8%. The decline in return on investment is an industrywide problem (charts, right), but it comes at a painful time for Union Electric, which has scheduled a \$30-million common stock offering for later this summer.

- **Current Value**—Union Electric sees a good chance that the PSC will grant most of its rate increase. A 1957 decision of the state supreme court requires the commission to consider replacement costs, and Union Electric is claiming them only for 35% of total plant investment.

The rate base as figured by Union Electric—the investment on which it is entitled to a "reasonable" return—is \$545-million, compared with \$424-million on an original-cost basis throughout or \$762-million if all plant were figured on replacement cost.

Utility men say that rate regulations in 35 states make some reference to the need to consider current costs of plant, yet only 15 or so practice any such consideration. They look ahead to demand for plant expansion and wonder how they can attract new equity capital to finance it.

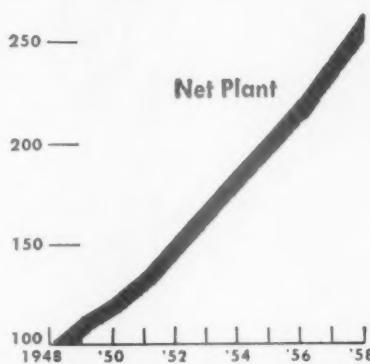
However, the Federal Power Commission and the majority of state rate commissions are lined up against basing utility rates on current plant costs. They say the record fails to show that utility stockholders have suffered or that any utility in the postwar inflation period has had difficulty in selling stock.

- **Financing Growth**—As the charts

Why the Utilities Are Worried

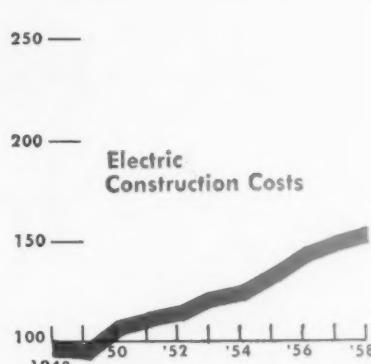
Investment is soaring ...

Electric Utilities, 1948=100
300 —



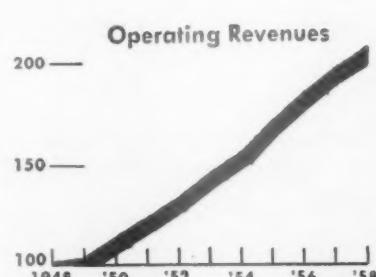
... At rapidly rising costs ...

Electric Utilities, 1948=100
300 —



... But revenues are climbing more slowly ...

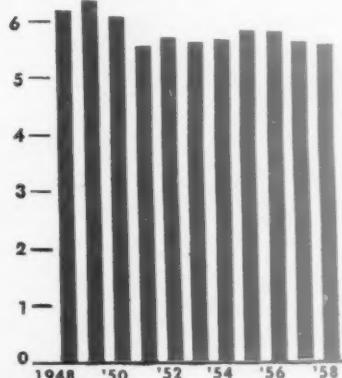
Electric Utilities, 1948=100
300 —



Data: Ebasco Services, Whitman, Requardt & Assoc.

... So the rate of return is low

Electric Utilities, Percent
Percent Return on Investment



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show, utilities' investment in electric plant and equipment is more than 2½ times what it was 10 years ago. This growth has called for about \$22-billion in new money. As W. C. Huebner of Ebasco Services, consultant to utilities, figures it, about 65% of this money came from external sources—including approximately \$3.5-billion in new common stock. The balance, close to \$8-billion, came from retained earnings, depreciation, and the like.

Growth is at least continuing, perhaps accelerating, industry experts say. Some of them estimate a need for another \$100-billion for expansion by 1975. To meet this target without tilting the debt-equity ratio over the 50% mark—it's now about 49%—util-

ties would have to sell more than \$12-billion in new common stock.

This is the utility industry's concern: to make common stock attractive to investors who are increasingly inflation-minded. Except for the so-called "growth utilities" such as the Florida companies (BW-Jan.17'59,p107), utility stocks have long been regarded as stable income producers, with little risk and growth potential.

The only way to improve their overall earnings, and to get new money through common shares without knocking down the equity of present holders, utility men say, is to get regulatory agencies to convert wholesale to basing rates on current value of plant.

- **Minority View**—This argument is re-

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jected by a hardy few among utility executives, including Donald C. Cook, executive vice-president of American Electric Power Service Corp. Cook says his company hasn't asked for a rate increase in years and doesn't plan to do so.

Cook says AEP has been able to keep its rates low and still make a profit by cutting operating costs by watching continually for technological improvements, such as super-high-voltage transmission and the operation of turbines at high temperatures and pressures.

"It has been a race between inflation and technology," he says, "and so far technology seems to be ahead."

- **Crosscurrents**—In the last few years, state regulatory agencies have gone in opposite directions on the issue of how to figure the value of utility plant.

For example, the Michigan Public Service Commission recently cut a rate increase more than 50% in the case of Consumers Power Co. The utility argued that its property is worth \$650-million, at replacement cost. This would have justified a \$15.3-million increase in rates. The PSC fixed the plant value at only \$516-million, and the rate increase at \$6.8-million.

In contrast, the state supreme courts in Iowa as well as Missouri declared that commissions must consider replacement costs. The Iowa case—Iowa-Illinois Gas & Electric Co. vs. the City of Fort Dodge—is regarded as a landmark toward acceptance of the current-value base.

- **Political Concern**—Robert S. Quig of Ebasco urges a continued effort to get regulatory bodies to accept the reproduction-cost principle, even though this admittedly often slows the rate proceedings, tempting utilities to aim at a smaller increase that they can be surer of getting quicker.

Politically, though, utilities face an uphill fight. No one expects state agencies to adopt the current-value principle overnight—not so long as utility rates are a political issue and most commissioners are political appointees.

In Ohio and California, for example, Democratic governors were elected on platforms that included pledges to reduce utility rates. And in Missouri, there was an attempt in the state legislature, though an unsuccessful one, to reverse the state supreme court by requiring that utility rates be based on original cost.

Moreover, the Federal Power Commission, which has great influence though only about 5% of total power generated crosses state lines and thus comes under its direct jurisdiction, is firmly committed to original cost.

- **FPC Attitude**—William R. Connole, a member of FPC, typifies the federal agency's views in opposing consideration of current construction costs in

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rate-making. The argument that utility stockholders will suffer if this isn't done in a time of rising costs "just doesn't hold water," he says.

Connole points to the performance of utility stock price indexes—Dow-Jones utilities have risen more than 29% in the last 18 months, though they are currently about 10% under their 1959 highs. "For shareholders who have protection in good times as well as bad," he says, "that's not bad at all."

"If price trends should ever reverse and start declining," he adds, "the utilities would start screaming for original cost all over again, because that would be the most favorable way to compute rates."

- **Milestone Case**—Until 1944, current costs were a mandatory part of the rate-making procedure. Then, in the milestone case of FPC vs. Hope Natural Gas Co., the U.S. Supreme Court discarded a complicated six-point formula that had been created in Smyth vs. Ames in 1898, which had the effect of requiring regulatory bodies to compare current with original costs.

In the Hope case, the court pointedly refrained from setting up any formula or method of setting rates. It declared that the test of what is reasonable is what a company needs to be able "to operate successfully, to maintain its financial integrity, to attract capital and to compensate its investors for risks assumed . . . even though [such rates] might produce only a meager return on the so-called 'fair value' rate base."

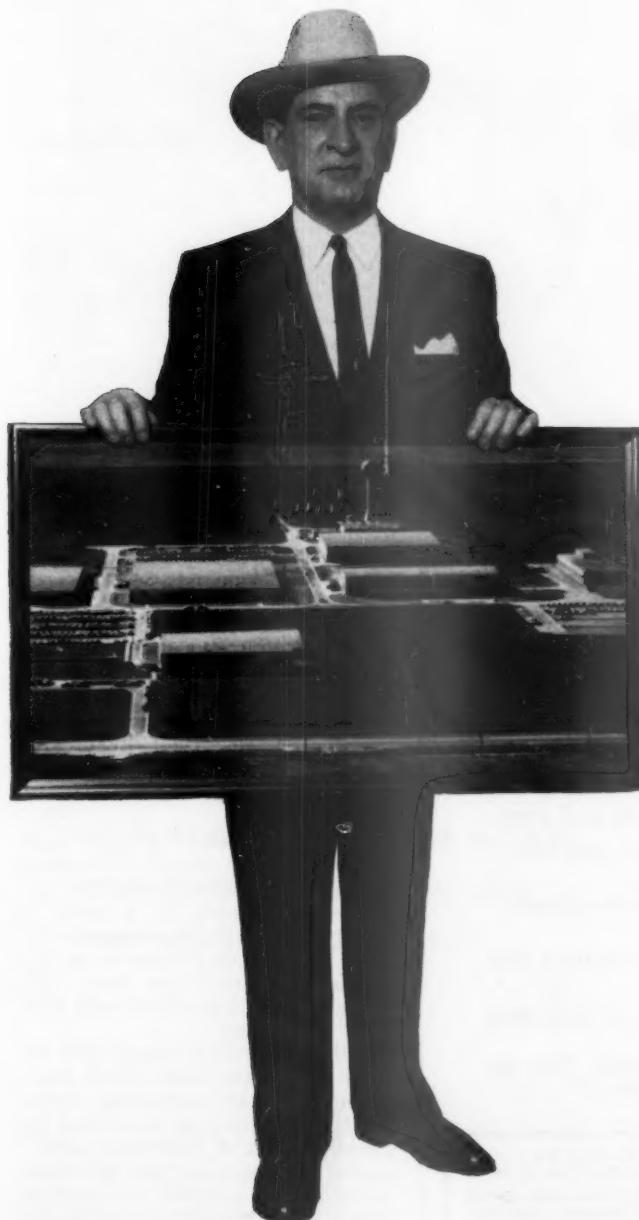
That's when FPC, as a champion of low utility rates, moved to establish original cost of plant as the yardstick of rate-making all over the country. Many state commissions, though they aren't compelled to do so, were quick to adopt FPC's view, because:

- In 1944-47, inflation in utility costs hadn't progressed far enough to make much difference to a utility which way the rate base was calculated.

- Original cost is far easier to calculate than current replacement value. It can be determined directly from the utility's property records, which must be kept in minute detail, whereas an appraisal of current value must be estimated from everchanging factors.

- **Improving Profits**—Utilities aren't pinning all their hopes of improving their earnings on their campaign to get a more favorable base for figuring rates.

Increasingly, they have been persuading commissions to recognize "regulatory lag"—the time that elapses between the filing of a rate request and the date an increase finally goes into effect, which may be several years. In this interval, a utility may have installed a lot more plant. Commissions in some states have been allowing plant and equipment expected to go into service



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in the near future to count as part of the rate base.

Utilities in some states are also pressing for approval of higher rates of return, particularly on the ground that money rates are rising sharply. Just last week, Tampa Electric Co. was granted its second rate increase in 13 months, and the Florida Railroad & Public Utilities Commission said it had erred in not granting the higher rate a year ago. The new increase will give the company an additional \$1.6-million a year in revenue, will raise its rate of return from 5.81% to 6.74%.

Northspan Uranium Asks Stay in Bond Payments

Northspan Uranium Mines, Ltd., one of the mining companies operating on government contracts in Canada's Blind River area, admitted to a financial squeeze last week. With its cash flow lagging behind estimates, it sought bondholder approval to postpone sinking fund payments and thus avoid the threat of receivership.

Northspan is the second uranium producer in the Blind River area to face a squeeze. In May, Stanrock Uranium Mines, Ltd., went into receivership after it failed to meet interest payments on its debt and other amortization charges and found it could not refinance.

According to most experts, the financial plight of Northspan is largely due to faulty estimates for equipment. It appears that Northspan underestimated its construction costs by \$25-million, partly because of competition among the eight Blind River companies simultaneously building mills, partly because of a delay in starting operations.

• **Two-Thirds Vote**—Northspan hopes to get through its squeeze. It is asking holders of \$45-million in its 5½% general mortgage bonds, U. S. series, to permit payments to be postponed until July, 1961. In turn, it plans to increase the five payments due from 1961 through 1963. A two-thirds vote is required for approval.

If the bondholders accept, both the Chase Manhattan Bank, which has a \$134-million loan outstanding secured by 5½% first mortgage bonds, and the Canadian Bank of Commerce, with a secured loan of more than \$9-million outstanding, have agreed to extend due dates of these loans by a year. In addition, Northspan's parent—the Rio Tinto Group—is willing to accept a delay on payments due on its \$6-million general mortgage bonds, Canadian series, which will defer another \$1.5-million. In all, Northspan is hoping to postpone over \$19-million in sinking fund payments which it hopes to repay later. **END**



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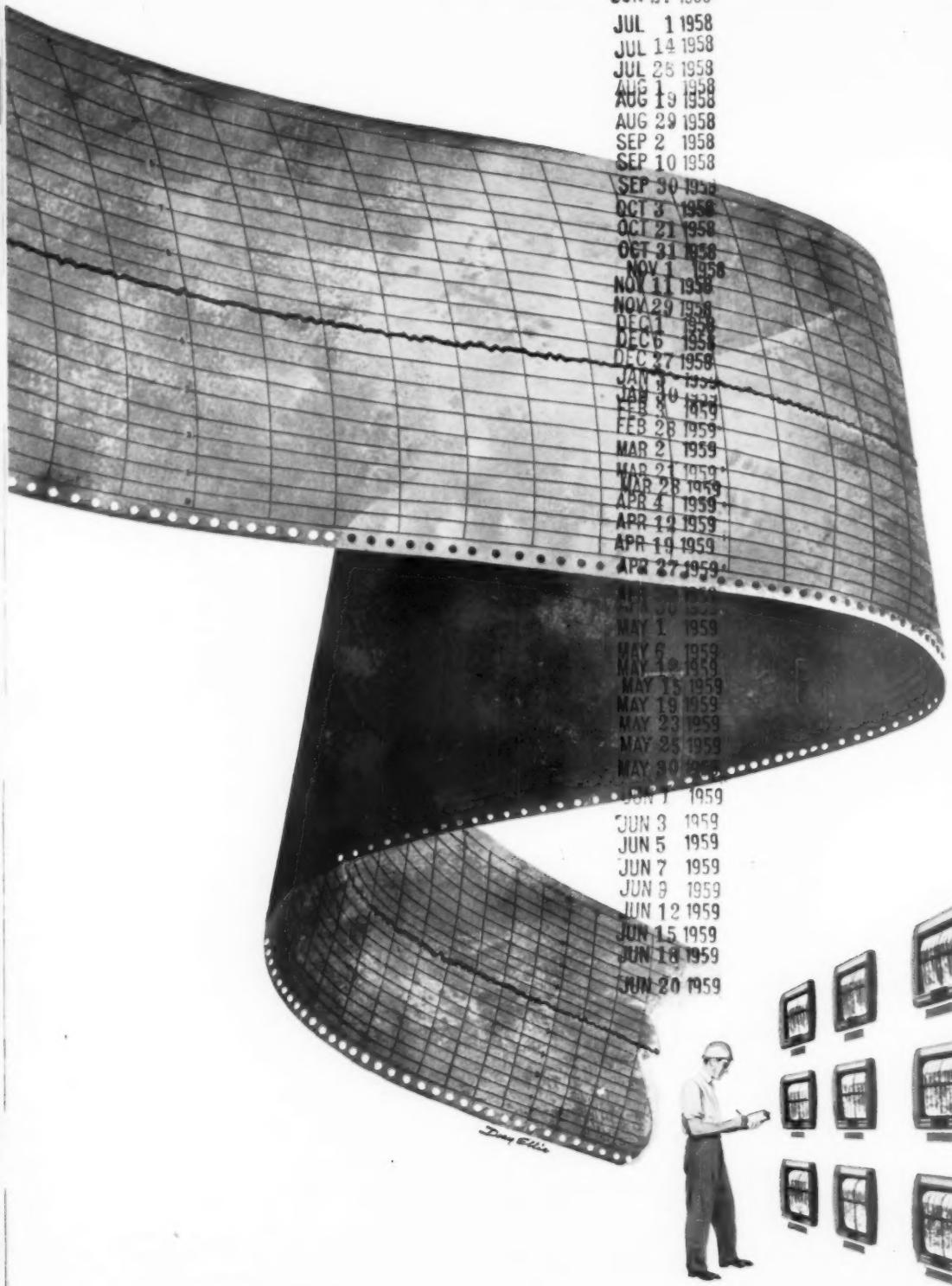
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In Business Abroad

Volkswagen to Pour \$120-Million Into New Facilities This Year

Volkswagen says it is investing \$120-million this year in new facilities to boost output from 551,000 cars and trucks in 1958 to 665,000. That's almost double what it spent last year—and the highest annual investment by any West German company since the war.

Despite stiffening competition from other West European companies, Volkswagen chalked up an impressive record in 1958: \$647-million in total sales, up 20% over 1957, and \$381-million in export sales alone. Its net profit was \$76-million. Biggest increase in exports took place in Africa, Asia, and Australia. Sales boomed 30% in those areas—to a total 52,000 units.

But the likelihood that European and U.S. investors will get a crack at VW shares seems as far away as ever. The government-controlled company faces lengthy litigation before it can become a publicly owned company.

Kishi, Japan's Top Salesman, Tours World Trade Centers

Prime Minister Kishi, Japan's best salesman, began a worldwide tour this week to size up overseas markets.

In Britain, he will swap views on the long-range effects of the Common Market and the "little free trade area" now being formed as a counter to the Common Market. In West Germany, Kishi wants to revive the proposal, made last year to Economics Minister Ludwig Erhard, for a Southeast Asia Development Fund. In Latin America, Kishi will focus on boosting two-way trade with Brazil, one of Japan's best overseas markets for capital goods.

Just as Kishi was leaving Tokyo, his cabinet decided that there would be a Japanese trade fair in Moscow next summer—an idea that was first suggested by Soviet Deputy Premier Mikoyan. The Moscow trade fair will be under the wing of the Japan Export Trade Promotion Agency.

Ford and Fiat Seek Permission To Assemble Autos in Egypt

Ford and Fiat, along with other Western auto producers, are dickering with the Egyptian government for permission to assemble passenger cars in Egypt.

Ford has been assembling trucks and farm tractors at a plant in Alexandria. Now it is proposing to assemble some of its British and German cars. Both the Consul and Taunus have been mentioned in Cairo as possibilities.

Fiat is negotiating with Bank Misr interests to build

MORE NEWS ABOUT BUSINESS ABROAD ON:

• P. 56—Vietnam's Gains Spur Red Terror.

a \$17-million plant, in which the Italian company would be a minority stockholder. According to preliminary plans, the joint company would produce the Fiat 1100 and Fiat 1800 for the Egyptian market and for neighboring Arab countries.

Germany and France Work Out

Closer Financial Ties

As a result of the reunification of the Saar with West Germany, a German bank has opened its doors in Paris. It's the Franco-Sarroise S.A., branch of one of the Saar's leading banks.

Another financial tie between the Germans and the French has just been established. Last week shares of one of the biggest French private banks—Banque de Paris et des Pays-Bas—were introduced on German stock exchanges.

Chinese Reds Make Concessions

To Peasants in Commune Program

The Chinese Communists have run into trouble with their commune program—the scheme to organize China's large rural population into landless wage earners.

As a result of opposition from the peasants, the Peking government has backed down on two parts of the program. First, it has announced that commune families now can have their own garden plots. Secondly, in many communes, the government has made the use of communal kitchens and dining rooms voluntary rather than compulsory.

U.S. Exports of Cars and Trucks

To Europe Lag Far Behind Imports

The Automobile Manufacturers Assn. has just published some striking figures on U.S.-European trade in autos and automotive products during 1956-58. The figures show that Western Europe as a whole now has a net advantage of almost \$500-million in this trade.

In 1956 our exports and imports were very nearly in balance—\$120-million in sales as against \$140-million in purchases. But by 1958, our exports to Western Europe had dropped to \$76-million and our imports from that area had climbed to \$548-million.

The biggest Western European buyers of U.S. cars and trucks in 1958 were Belgium-Luxembourg (\$24.2-million), Sweden (\$15.3-million). However, since 1956 even these countries have shown a sharp dropoff in purchases. In 1956 Belgium-Luxembourg imported \$43.9-million worth of U.S. vehicles, and Sweden \$18-million.

*When you're choosing
a protective coating...*

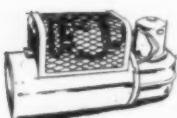
HOW HOT IS YOUR HOT?



A Nose Cone Gets Hot

When conventional organic finishes were used in Chrysler Redstone Missile tests, they ignited and disintegrated under simulated re-entry conditions. Sicon survived because it possessed the inherent heat resistance to meet performance requirements. This has been confirmed in large scale tests and actual missile firings.

A Truck Heater Gets Hot



A porcelain type coating used on a truck heater failed because it could not stand the thermal shock of rapid heating and cooling. The same heating (550°-600°F.) and cooling left Sicon's film integrity unaffected.

A Tractor Engine Gets Hot



A farm equipment manufacturer used a bright organic red color on their standard equipment. The coating on the engine parts, which were subjected to high temperature, quickly decomposed. Midland engineers developed a matching bright Sicon Red which retained its color and gloss and protected the hot spots on the engine.

How HOT is your HOT?

Sicon possesses the flexibility of ordinary organic finishes and the heat resistance of ceramic coatings—up to 1000°F. in black or Aluminum; up to 550°-600°F. in decorative colors. Upon inquiry a sample Sicon formulation for testing your "hot" requirements will be prepared at no obligation. Send details of your "hot spot" problem today to Dept. G-34.

Sicon®

HEAT RESISTANT FINISH
A Silicone Product of

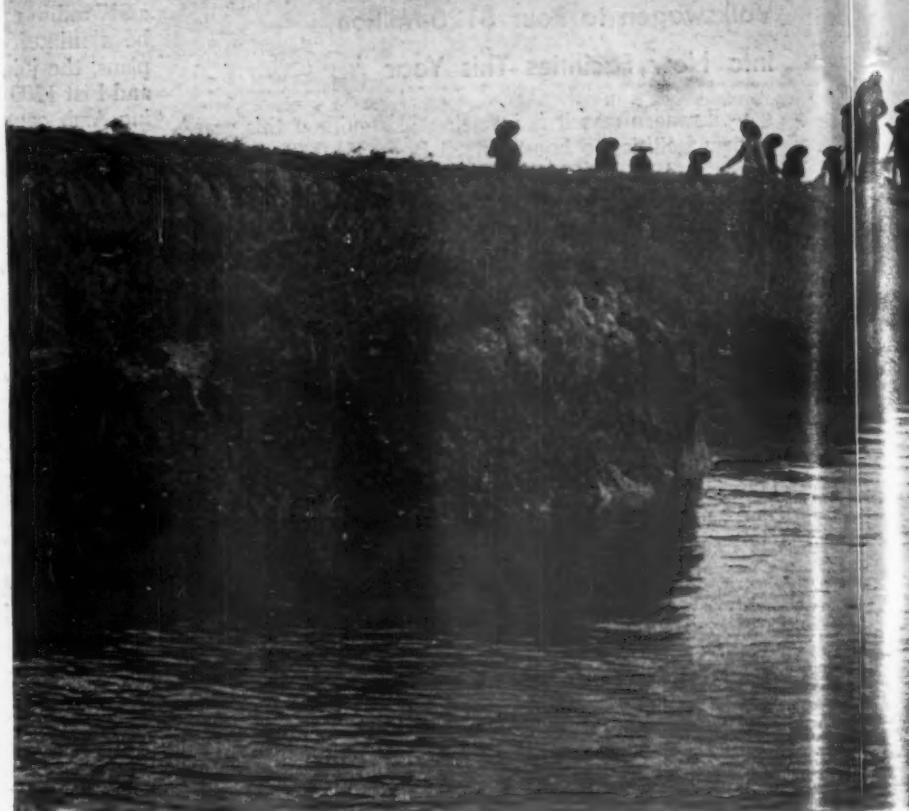


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BUSINESS ABROAD



HAND LABOR of 3,000 diggers built this canal to help restore huge war-devastated tract



Vietnam's

For six months the Communists of North Vietnam have been steadily increasing terrorist activities in South Vietnam (map). Last week, in the boldest move yet, Communist assassins killed two members of the eight-man U.S. military mission attached to the South Vietnam army. The murders occurred just 20 miles northeast of the capital city of Saigon.

This surprise attack, like ones frequently made on Vietnamese farmers in outlying rural areas, was meant to unsettle the pro-Western regime of Pres. Ngo Dinh Diem. It undoubtedly indicates just how worried the Communists are at what U.S. aid has accomplished during the past five years in South Vietnam.

- **Refugees**—Although some basic economic problems remain to be solved, the Vietnamese republic has made unexpected headway in resettling a flood of refugees from the Communist North



in South Vietnam. But Communist terrorists fight to balk rural progress.

Gains Spur Red Terror

and carrying out an ambitious land reform (pictures). Because of this success, Ngo Dinh Diem's government has real standing today with other non-Communist countries.

Five years ago this month, when the war in French Indo-China ended with the Geneva settlement, the odds did not favor success for the new republic in the South. It was primarily agricultural country, separated at the 17th parallel from what had been the industrial part of Indo-China. Departing Communists left behind a professional underground.

The French-backed regime that took over in Saigon had very little popular support and lacked the strength to control the gangsters who kept alive vice and corruption in Saigon. In the country-side, rival religious cliques held a strong grip on the peasants.

• **Standards Rise.**—Since that time the anti-Communist South has become a key point in the defensive network

which the U.S. has built against Red China in Southeast Asia. With the help of U.S. military and economic aid, South Vietnam has managed to hold its own against Communist infiltrators and gradually to raise living standards.

To date, South Vietnam has received roughly \$1.2-billion in economic assistance from the U.S., most of it in the form of defense support aid. This is aid that goes for the broad support of the economy so that it can sustain a large army. On top of that, the country has received a considerable amount of direct military aid—actual hardware.

In effect, then, most of our aid has been for defense rather than economic development. Today, for example, Vietnam is getting about \$180-million a year in economic assistance—\$140-million for defense support and \$40-million for various economic development projects.

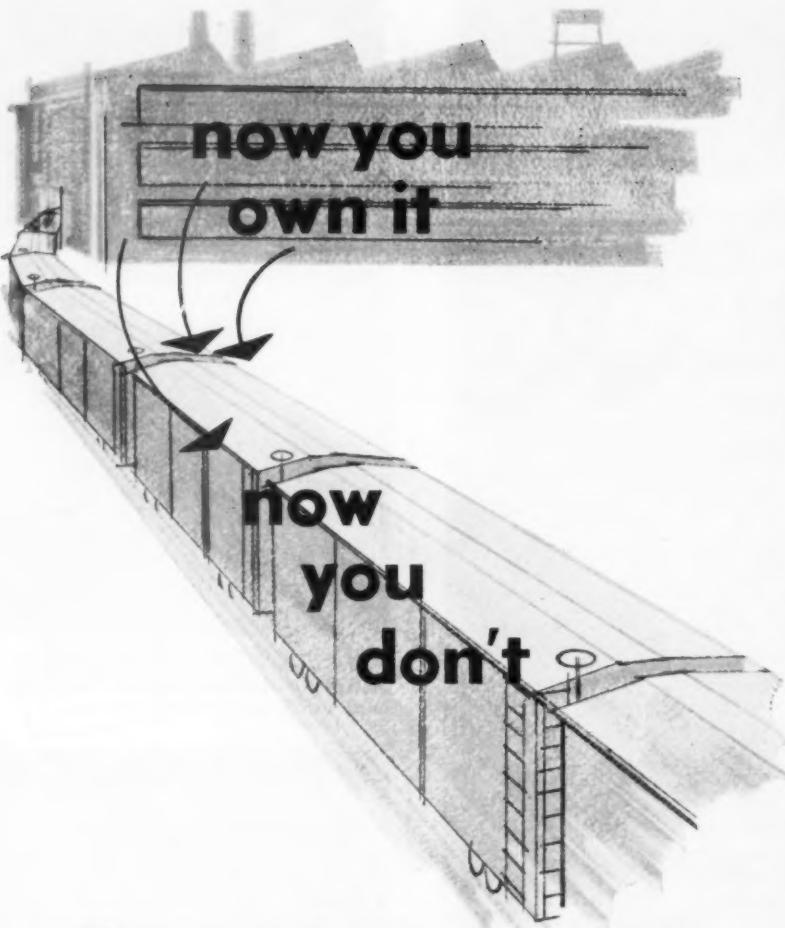
On balance, there seems to be good



SOUTH VIETNAM has South Asia's only successful land reform program. Here Pres. Diem hands farmer title to his land.



ARMY VETERAN was given small farm, helped to clear part of it. Small farmers are frequent targets of Red terrorists.



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...why not when you don't?**

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ANY ACCOUNT...NO MATTER HOW GOOD...IS BETTER WITH ACI

reason for this defense outlay. Under the Geneva Agreement of 1954, an international control commission was to work toward reunification of the divided country. But Communist troops—nearly 250,000 strong and veterans of guerilla fighting—have been constantly getting new equipment and fresh training in nearby Red China. Thus, South Vietnam—an underdeveloped nation of only 12-million people—has had to maintain a professional army of 150,000.

- **Useful Work**—Not all of the army's work goes toward "non-productive" military projects. As in other Asian countries, the military often does civilian jobs. Military road crews are opening new, rich farm lands on the Southern High Plateau to truck transport. The military also is one of the few places where Vietnamese learn to be trained mechanics and technicians.

But, of course, the decision on apportioning U.S. aid depends on political strategy—how to keep South Vietnam strong enough to withstand any Communist threat from the north. Both Vietnamese and Americans in Saigon agree that to reduce armed defense would simply invite another Korea-type attack.

This problem of security tends to conflict with the development of democratic institutions in South Vietnam, another aim the U.S. has tried to promote. The country can hardly boast Western-style representative democracy. Its national assembly is something of a rubber-stamp, taking the president's dictates. The government blocks almost all political opposition, and censors the press.

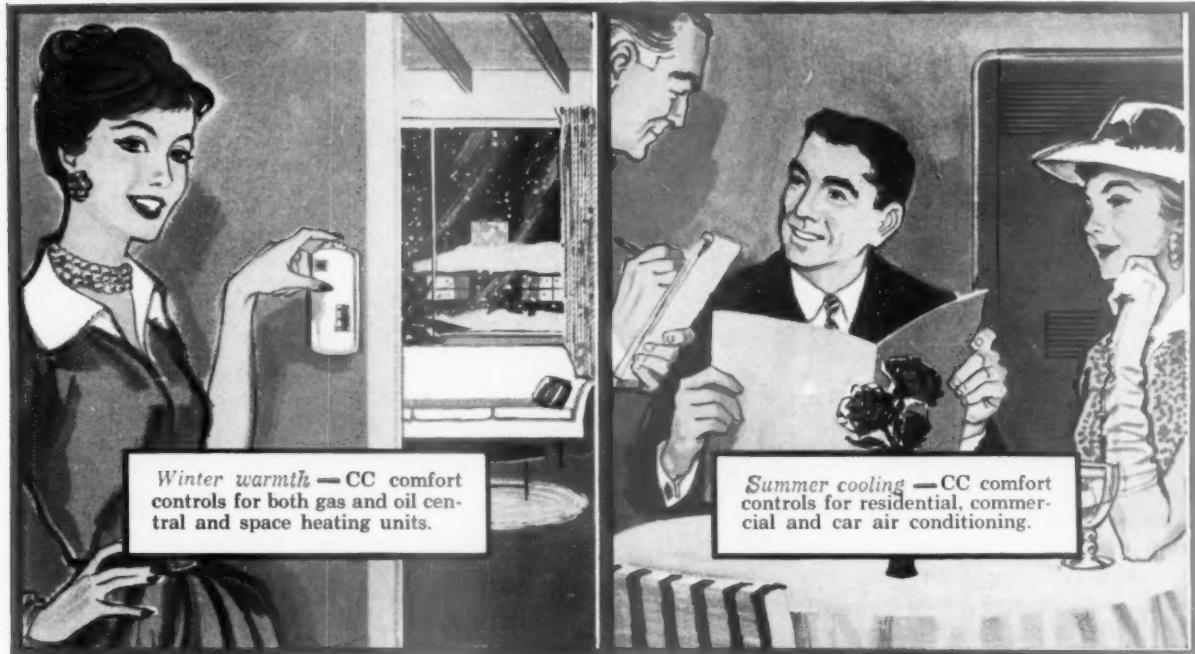
- **Prison Canard**—Last week's terrorism is one reason why Pres. Diem's government feels it has to take a tough-minded stand. Even propaganda from the Communist radio stations in Hanoi is a worry. Early this year, the Communists blared out false stories about a prison incident in South Vietnam. The campaign was so intensive that some North Vietnamese donated money and rice for the "victims" of the Diem government; even some Westerners in Saigon were taken in.

If the U.S. applied enough pressure, it might force Diem to loosen his restrictions on the South Vietnamese press. But that might bolster the Communists' pet charge against the Diem government—that one way or another it is under the thumb of Western powers. The Vietnamese themselves remember too well the 80 years of French colonial rule, and don't want more of it from the U.S.

Diem, for his part, believes his country is moving slowly toward representative democracy, with benevolent authoritarianism as a middle stage between French rule and the ultimate goal of free institutions. He interprets the fail-

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chosen for drainage
and vent lines
of this modern
office building

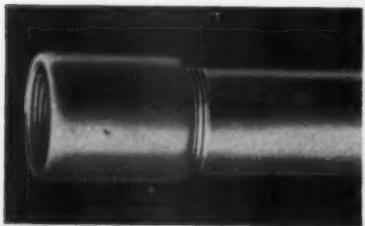
Everything about the new Seagram building at 375 Park Avenue, New York City reflects the experience of famed architects, Mies van der Rohe and Philip Johnson.

Quite in keeping with the quality concept was the selection of *steel pipe* for drainage and vent lines. Although durable *steel pipe* is outstandingly low in cost, it is equally outstanding in service. It's another example of the many kinds of jobs that *steel pipe* does best.

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ture of parliamentary systems in neighboring Thailand and Indonesia as proof that Western institutions won't succeed overnight in Vietnam. As things stand now, any political group that replaced Diem would probably bear down on its opposition as hard as the present government does.

• **Land Reform**—Diem believes that only strong government can make a go of large-scale land reform—the kind the U.S. occupation forced through in Japan and Gen Chiang Kai-shek successfully imposed in Formosa. Now Diem hopes to complete by the year-end a land reform program that will hand over 2.1-million acres to 250,000 families. He also hopes to boost average productivity on Vietnamese farms, where it is something like one-third of that in Japan or Formosa.

Corruption within the Vietnamese government is a headache. But it seems to be a minor one—compared, for instance, to the reported squandering of U.S. aid funds on nearby Laos. That's largely because Diem personally oversees even the petty details of government. He looks over contracts, financed out of joint U.S.-Vietnamese funds, that may amount to no more than \$3,000. This carefulness helps keep minor officials more honest and reduces the inclination to indulge in graft.

• **What Kind of Projects**—Biggest debate over the economic program is whether U.S. money should be spent on "impact" projects that show quick results or on long-range economic development. So far, the emphasis has been on short-range gains—keeping the economy going so that it can support a big army.

U.S. defense support aid has gone into consumer goods to satisfy the immediate demands of the population and prevent inflation. The U.S. extends dollar credits to the government to pay for needed imports; Vietnamese importers then buy these goods by depositing local currency in the so-called counterpart fund. This fund provides two-thirds of the entire revenue of the government and helps pay for the upkeep of the army and the country's whole defense setup.

Critics say this system has kept U.S. aid from flowing into major economic projects. They say that while Communist North Vietnam puts the greatest single portion of its investment into larger, industrial projects, South Vietnam does little to improve the real base of its economy.

• **Superhighway**—Even when money goes into capital improvement, there can be differences between U.S. officials and the Vietnam government. Thus the Americans are building a 19-mi. superhighway leading out of Saigon; they justify this as a dramatic demonstration of what U.S. aid can do. But



Air Pressure Alone Holds Up World's Largest Fabric Dome!

the problem: To provide a large missile shelter of economical construction, easily transported and quickly erected.

the solution: The Pentadome, made of vinyl-coated nylon, easily transported, quickly erected by ten men in one day.

Procured by the U. S. Army Quartermaster R & E Command for use by the Ordnance Corps, the Pentadome provides missiles and their crews with ideal protection from dust, rain and high winds. The main dome, 85 feet high, 150 feet in diameter, and four smaller connected domes 50 feet high, 100 feet in diameter, are wholly supported by internal air pressure supplied by blowers. Domes can withstand a gale of 70 miles an hour or more.

Birdair Structures, Inc. specified that the 18,000 square yards of nylon base fabric for vinyl coating be by Wellington Sears. Designed to retain flexibility at -40° F., it is the heaviest single-ply fabric ever used in an air-supported structure.

Wellington Sears, with over a century of experience, would welcome the opportunity to help you solve problems related to fabrics, in rubberizing, coating, laminating, or any combination of textiles with other materials. For a useful booklet, "Fabrics Plus," write Dept. C-7.



Preparing to put up Pentadome, made by Birdair Structures, Inc., Buffalo, New York. Wellington Sears nylon base fabric was vinyl-coated by Sawyer-Tower, Incorporated, Watertown, Mass.

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Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

HOW OFTEN have you turned on a water faucet without getting water? Probably not very often. Yet it might be a very good thing if one day everyone in the United States had that experience, all at the same time. Nothing else would dramatize so well the degree to which we depend on water for convenience, comfort, health, and fire protection. It would also help emphasize two other very important facts:

First, water is a *limited* natural resource. Someday we may use water from the sea, when a practical "freshening" process has been proved and thousands of miles of pipelines have been built. But for the predictable future, there is just so much water and it must be made to serve a rapidly growing population that uses far more water per person than our grandfathers ever dreamed of.

Second, our present water facilities are stretched to their limits, and are not being expanded fast enough to keep pace with population growth. A survey by the Public Health Service shows that of the 18,000 water utilities in the United States . . .

One out of five is deficient in supply . . .

Two out of five are deficient in transmission capacity . . .

One out of three has too little pumping capacity . . .

And two out of five are deficient in treatment capacity.

Right now there is a \$2.6 billion backlog in needed waterworks construction—and by 1975 there will be fifty or sixty million more people to serve.

The men who manage our water facilities are capable, and for the most part, dedicated men. With the limited funds at their disposal they have performed near-miracles in supplying a mushrooming population, and in keeping pace with engineering and bacteriological advances to assure safe water. But in many places these men are fighting a losing battle with public apathy. Badly needed facilities will not be built in time unless we, the voters, express our desire for them.

Communities which do not provide for future needs will realize too late that their growth and prosperity have dried up along with their water supply.

* * *

One proved way to stretch dwindling water supplies is to discourage water waste through universal metering. Water consumption in the United States averages 150 gallons per day, per person. When water meters are installed in a previously unmetered community, per capita water consumption decreases by about 50%.

* * *

Millions of U.S.S.R. citizens will see a "corner of America" at the American National Exposition which opens July 25th at Sokolniki Park, Moscow. Among the typical American products shown will be the recently introduced Delta Super 900 Radial Saw, and the multi-purpose DeltaShop. In the comprehensive exhibition the United States Government, private industry and institutions are cooperating to give Russians a realistic image of how Americans live, work, produce, consume, and play—an image of what we are and what we stand for.

* * *

For the convenience of its customers and representatives overseas, our International Division has completed a 40-page brochure which provides fairly complete information on 138 representative products from our nineteen basic product lines. The book is available in both Spanish and in English. Initial distribution was made quickly and quite widely by running the book as a 40-page "tear-out" ad in an export publication.

One of a series of informal reports on the operations and growth of the
ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.

for its customers, suppliers, employees, stockholders and other friends



French-trained Vietnamese engineers consider it a waste of funds.

On the other hand, the Vietnamese are planning a \$50-million hydroelectric project 120 mi. from Saigon, built under the reparations agreement signed with Japan last month. Saigon's educated classes say the project is just what is needed to capture the public's imagination—and besides it is considered a "gift" from the Japanese. However, the Americans argue that the project is too big for present needs and is an uneconomic use of funds.

Still, there is some agreement between Americans and Vietnamese on a long-term concept that the Vietnamese call "50-50-50." It's a plan to make the country less dependent on U.S. aid. Here's how it would work:

- At least part of Vietnam's immense prewar rice market would be regained over the next two years. Rice exports—350,000 tons this year—could reach 500,000 tons, worth about \$50-million.

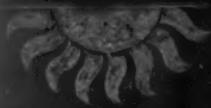
- Rubber exports, which now earn between \$35-million and \$40-million, would be boosted to \$50-million.

- The third \$50-million would come from cutbacks in consumer imports, creation of such light industries as cotton textiles, and cultivation of foods that now have to be imported.

Meanwhile, South Vietnam is getting stiff economic competition from Communist North Vietnam. Last year the Communists exported 150,000 tons of rice—from an area with a traditional food deficit, largely because of its dense population (18-million). North Vietnam has some aid from Red China and the Soviet bloc. But its success has stemmed primarily from the tough-minded methods imposed by the government of Ho Chi Minh—often by terroristic methods. For instance, Ho's iron fist has imposed Red China's technique of deep ploughing and close planting, so that farm productivity has probably risen faster than in South Vietnam.

- Realism—Competition from the north over the next few years may force the Saigon government—and its American supporters—to accept at least some of the planning techniques already used in India. Yet the planning is likely to be on a modest scale. For Diem is dead set against big, dreamlike plans. No one in his government is "plan-happy," and no one boasts about a future of huge steel mills, great industrial expansion, or rapid boosts in gross national product.

The regime seems dedicated to the idea that Vietnam is primarily an agricultural nation. Its resources (contrasted with the raw material-rich north) can support only light industry. Thus, the major effort must be to boost productivity at the village level. END



Things are different overseas today. Living standards are on the rise around the free world. Latin Americans use more appliances; the people of Asia eat better; Africans own more bicycles and sewing machines; and Europeans drive more cars. Can these growing markets mean business for you? Ask the man who can do *more* for you overseas, your Citibanker.



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*round tones, deep tones, sharp tones, flat tones.
copper makes brass, bells and bugles, trumpets and trombones.*

copper makes bronze for a beethoven bust.

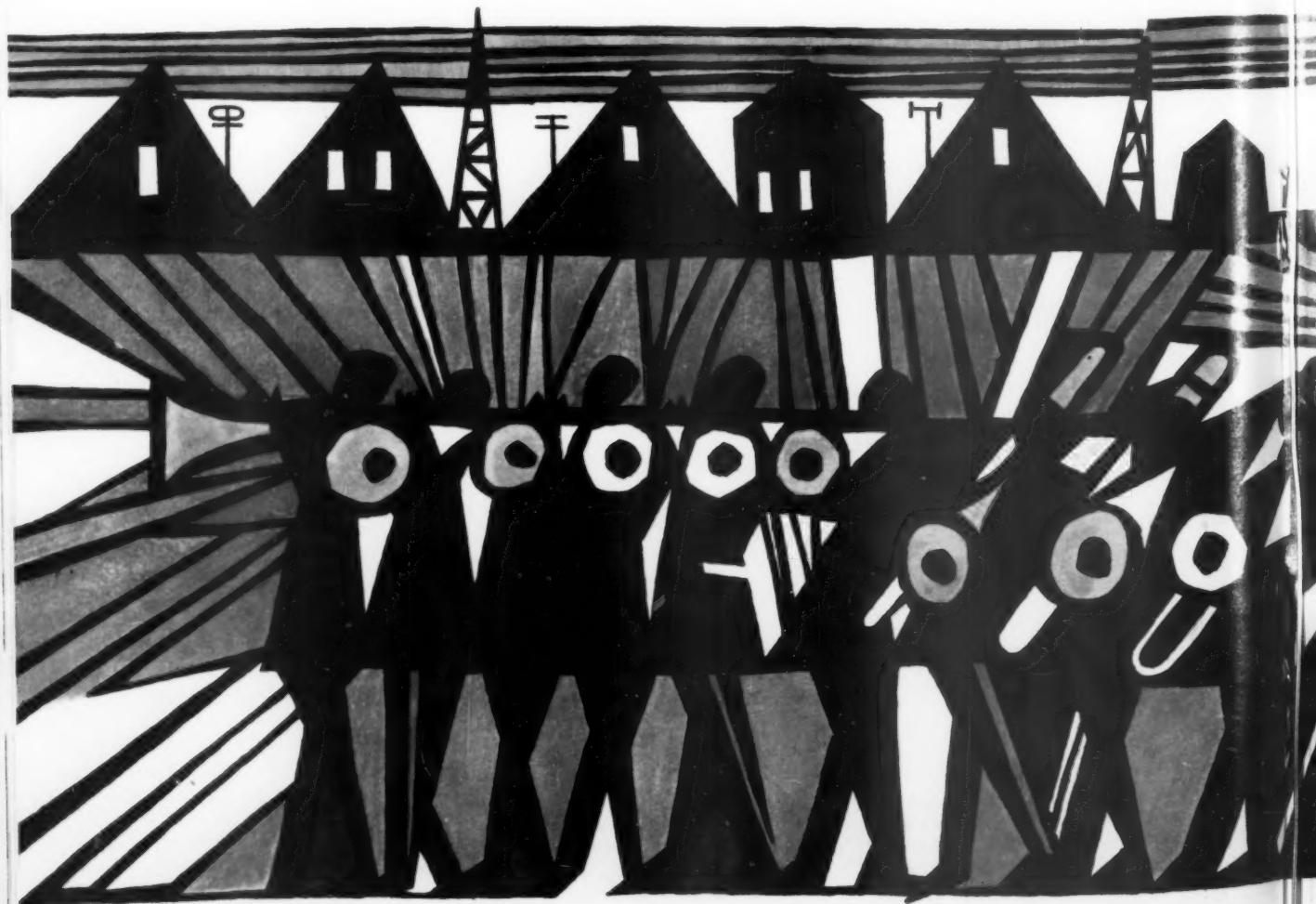
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wire for radio, wire for stereo. wire for telephony and tv.

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You'll find that Goodrich-Gulf service starts with matching the right rubber to your product needs. It includes packaging improvements to cut your handling costs . . . convenient shipping points to save time and warehousing expense. For information, contact Goodrich-Gulf Chemicals, Inc., 3121 Euclid Avenue, Cleveland 15, Ohio.

P. S. If you're a sailor yourself, the *Randy Boatshu* is made by Randolph Shoe Company of Randolph, Mass.



Goodrich-Gulf Chemicals, Inc.

In Marketing

Macy's Offers Customers Credit Plan Similar to System Used by Banks

Macy's New York, this week announced a new credit plan that gives customers the option of (1) paying their bills monthly 10 days after receipt of the bill without any service charge or (2) paying at least one-fifth of the month's total with a small service charge added. The customer can decide each month which he will use.

A spokesman for Macy's said the rapid growth of bank credit plans in New York during the past six to nine months (BW-Mar. 7'59, p55) "triggered" the store's decision to liberalize its credit system. Macy's already has a revolving credit plan and a deposit account system, run by Macy's Bank (a 55-year-old subsidiary institution) under which a customer pays into his account prior to making a purchase.

The new credit plan, called the dual accomodating shopping account, is designed to meet customer demand for the kind of credit which the bank plans provide smaller retailers. Macy's concedes that some of its customers resented having to pay in advance for merchandise through the Macy's Bank deposit account system. In fact, some of them were overdrawning their DA accounts. The deposit system will be maintained along with revolving credit. But the store will put a big emphasis on what John A. Blum, senior vice-president in sales promotion, calls "a new way of buying." Macy's Bank each day will pay Macy's for all customer charges that take place, taking over the individual accounts.

Two Clothing Concerns Part Company With Large Outfits

Two clothing companies, in two unrelated deals last week, severed ties with large outfits they only had recently joined. Mack Kahn bought back the Flexees lines of corsets and swim suits from Artistic Foundations, Inc., now a multi-line holding company owned by Botany Industries, Inc., A.M. Sonnabend, and associates. And Bud Berman bought back the men's sportswear company bearing his name from Cluett, Peabody & Co., Inc.

Kahn had formed Artistic Foundations in 1919, introduced the Flexees brand name in the early 1930s. Later the company bought some wool mills, and ran into financial trouble because of them. To get cash, Kahn sold a minority interest in the company to a Sonnabend syndicate in 1957. Sonnabend brought seven subsidiaries under Artistic's tax-loss-carryforward umbrella—outfits that made such varied products as women's coats, hardware, and airplane parts. But Kahn reportedly got increasingly unhappy about the way Flexees was getting pushed into the background. So a deal was arranged

MORE NEWS ABOUT MARKETING ON:

- P. 68—NBC Schedules Splurge of Special Programs for Upcoming Season.

under which Kahn exchanged his remaining 51% of Artistic for the brand name Flexees and its manufacturing properties. Botany, another Sonnabend interest, bought a block of Artistic stock. Kahn is setting up a new corporation to manufacture corsets with the brand name.

Artistic Foundations, meanwhile, has reorganized. It last week announced a new chairman, Sonnabend; a new president and chief executive officer, Arnold A. Seltzman, president of Premier Knitting Mills, a Botany property; and a new name, Premier Industries, Inc.

Berman's stay in the Cluett, Peabody family was even briefer. He sold his company in June, 1958, but union trouble developed because some of his sportswear was made by subcontractors whose employees were not union members. Amalgamated Clothing Workers of America struck a Berman warehouse in South Carolina earlier this year, then got an agreement from Cluett that the Berman subsidiary in the future would buy from union shops. But instead Cluett got rid of the line.

Department Store Sales Show

Healthy Gain Over Last Year

Department store sales in the first quarter ran 6% ahead of 1958 and "second-quarter sales have continued the same strong pace" with the outlook for the second half almost equally good, according to Sam Flanel, general manager of the National Retail Merchants Assn's Controllers' Congress.

He predicted fourth-quarter sales increases will level off at about 4% or 5% above the 1958 period, making this year as a whole another record. Branch department stores showed 12% gains during the first quarter and specialty stores 7%.

Wilting Handkerchief Sales Blamed On Too Much Tissue, Too Few Colds

Handkerchief manufacturers are sobbing quietly in their products as sales continue to fall. Federal Reserve Board figures for 1958 showed that handkerchief sales in department stores—the only really measurable sales in the trade—were 4% below the previous year, and 40% below 1946.

Paper tissues and other paper products get most of the blame, though some observers say that fewer and shorter colds play a part.

What ever the reasons, the handkerchief makers are rather apathetic about it. An industry group, Handkerchief Promotions, Inc., gave up the ghost last year, while ad lineage for handkerchiefs is about 75% below the 1946 level.

FRIDAY
8:30-9:30
Est. Budgets
\$340,000



VARIETY

Bell Telephone
Hour

SUNDAY
8:00-9:00
Est. Budget
\$300,000

**WHAT
MAKES
SAMMY
RUN?**



Variety
NBC

AT&T

**GIVE MY
REGARDS
TO B'WAY**

Star or Subject →
Type of Show →
Sponsor →

Drama
NBC

MILTON BERLE
Variety
ZEREX $\frac{1}{2}$ BENRUS $\frac{1}{2}$

JULIE HARRIS
Drama
HALLMARK

NARAS
RECORD AWARDS

Musical Variety
SHEAFFER

FORD SHOWS
9:30-10:30
Est. Budget \$340,000

With 39-Weeks of Entertainment Scheduled FORD Wants to Sign Top

NBC Puts TV "Specials" on Its

Above is a cross-slice of the National Broadcasting Co.'s new offering of "special" TV shows three nights a week, starting in the fall. An hour is set aside in prime time on each of these evenings—not for drama each time, or comedy each time, or variety each time but for a mix of these formats.

To make the novelty of this programming still more striking, the three-a-week "specials" by no means replace NBC's one-shot "special specials." About 40 of those are sprinkled through the upcoming TV season. The one-shot shows preempt regular program time.

Two of NBC's series of specials, the Friday and Sunday time slots, are varied as to sponsorship as well as type of program. The Tuesday evening series has been sold to Ford Motor Co., all 39 weeks of the season. Ford has cloaked its TV plans in as much secrecy as its new automobiles, but it hints that its program line may be introduced by the end of the month. Meanwhile, there's talk in the trade of such name stars as Alec Guinness, Marilyn Monroe, and Brigitte Bardot.

• **Twofold Aim**—NBC's bold—and controversial—departure in network programming philosophy is aimed at com-

bining two hitherto separate and different kinds of audience appeal:

- The habit pattern, the incentive to tune in each week at the same time for the same type of show. All kinds of TV programs have succeeded in building up a regular viewing audience. Now NBC is trying to build up a regular viewing audience for many kinds of TV in the same time segment.

- The glamor and excitement of the one-shot spectacular or special, the incentive to drop everything else to watch this one. NBC finds it logical to offer these one-shotters at regular times each week.

A typical four weeks on the Sunday special hour, 8 to 9 p.m. in the East, demonstrates NBC's handling of an hour that's devoted mostly to drama. On Sept. 26 and Oct. 4, the network will show a two-part adaptation of Budd Schulberg's *What Makes Sammy Run?* On Oct. 11, it features Milton Berle in a splashy variety hour. On Oct. 18, it shifts to one of Equitable Life's American history series with a drama based on the life of Thomas Jefferson.

- **A Gamble**—NBC is gambling, of course, that it can build up—and, more important, keep—an audience for its

new kind of "special." In dealing with a multiplicity of sponsors, more than usual for a given time slot, the network is also gambling that it can sell all its shows on Friday and Sunday.

However, NBC says that the idea for a regular series of specials came in part from advertisers' clamor for just such shows.

Many advertisers who don't care to sponsor a weekly series are in the market for the specials. They like the prestige and special attention that go with a one-shot show. Specials are well adapted to introduce new products, to kick off sales campaigns, to stimulate dealers, to serve as local points for merchandising tie-ins.

- **Other Networks**—NBC's network rivals will stick to more conventional programming of specials in the coming season.

Columbia Broadcasting System will continue to spot its spectacles at irregular intervals. Its greatest innovation consists of two types of special public affairs program. One series of six evening shows sponsored by Bell & Howell Co. will explore current questions of national policy, and several documentaries of interest to housewives are planned for daytime.



**PROJECT
20**

"NOT SO LONG AGO"

BOB HOPE
Variety
BUICK

Documentary
NBC



GENE KELLY
Variety
PONTIAC



JERRY LEWIS
Comedy
TIMEX



MUSIC VARIETY
CANADA DRY

DRAMA

**SUMMER
ON
ICE**

Variety
BREWERS FOUNDATIO



**THE
YEAR
AHEAD**

**ALEX
SEGAL
DRAMA**



**THE
DEVIL
AND
DANIEL
WEBSTER**



**PEG
O' MY
HEART**



**MINNEAPOLIS-
HONEYWELL**

Drama
RCA

JOHN CHARLES FREMONT

Drama
EQUITABLE

Drama
REXALL

THOMAS JEFFERSON

Drama
EQUITABLE

Drama
REXALL

ULYSSES S. GRANT

Drama
EQUITABLE

to Sign Top Talent Such as **ALEC GUINNESS, MARILYN MONROE, B.B., etc.**

Schedule Three Nights a Week

American Broadcasting Co. keys its programming to a block of similar shows for each evening, so specials run counter to its program philosophy. However, ABC plans to experiment with the idea with about 22 specials, chiefly in the variety and sports categories.

For all three networks, prospects are bright for the 1959-60 season. Only a smattering of time slots is unsold—a sharp improvement over the situation in space sales at this time last year, when fears of recession inhibited advertisers in committing themselves so far in advance.

• **Dollars and Cents**—The specials will cost a lot more money than the average network evening show. For example, the Friday night specials are budgeted for an average gross cost of \$340,000, compared with \$200,000 for a one-hour Western or \$220,000 for a top-ranking variety show.

Yet all the glitter of the specials will necessarily mean more gold for NBC; most of the bulge in budgets is accounted for by higher costs for talent and production. Some shows will be produced by professional packagers; and ones that the network itself produces won't generate much if any profit, unless they go contrary to the pattern.

Advertisers generally pay for such services at close to cost.

For the air time, NBC can charge only the regular prime evening rate, about \$120,000 an hour. By selling the time to a variety of advertisers, NBC will avoid having to give the frequency discount that is granted to a regular series sponsor, but it also risks winding up with some unsold time on its hands.

Having to put on a couple of the big budget specials on a sustaining basis could wipe out at least the network's gains in eliminating frequency discounts. Also, advertisers will demand, and probably get, heavier promotional support from the network for the specials, such as newspaper advertising.

• **Under Pressure**—NBC's decision to launch the three series of specials arose partly out of its heavy inventory of high-paid stars—such as Bob Hope and Jerry Lewis—who were under long-term contract to be paid whether or not they perform. It's hard to line up enough shows to cash in on such big names in the course of a normal season.

Moreover, NBC had also acquired some expensive properties, such as *The Moon and Sixpence*, that it wanted to put to use.

The network had already lined up

sponsors for its full season's quota of one-shot specials. These shows had just about exhausted the network's allowance of time preemptions. Most TV time contracts allow a network to preempt two hours per time period over the course of a season. NBC might have been able to negotiate more preemptions from its sponsors of regular series, but most sponsors resist both the disruption of the viewing habits a series has built up and the overshadowing of the series by the special.

• **Color Lure**—Another consideration undoubtedly was to provide a showcase for wider colorcasting. Radio Corp. of America, NBC's parent, has invested huge sums in promoting the sale of color TV sets. Yet, no matter how hard NBC's peacock emblem has flapped its wings in seasons past, color TV set sales have never really gotten off the ground.

Part of the trouble has been laid to the type of show presented in color. Color doesn't add a very vital new element to, for example, an audience participation show. The hour-long specials could be the perfect vehicle for wider color programming, with their more elaborate settings and costuming.

Color has proved a strong sales point,



Industry's chemicals:

WHAT'S MAKING NEWS?

If an annual report makes its readers expand with pride, it may be because sales have broken through to new highs. But just as often, it's because management has been able to push operating costs to new lows. This might be the result of a production short cut, an improved process, or a whole new plant. And sometimes, it's as simple as putting a new chemical in the right place at the right time. A few cases in point are reported below.

You may wish to check certain items in this advertisement and forward to those concerned in your company.

ROUTE TO:

New chemicals influence future car designs

Many of the designs planned for the automobiles of tomorrow call for specialized chemicals to make them tick. A peek at the work now in progress in Dow's Automotive Chemicals Development Laboratories shows what will be required of the antifreezes, lubricants and other automotive fluids of the near future.

Wondrous engineering advances await automobile owners of a few years from now. One may be a single unit that combines the present day functions of the transmission and rear axle. Another may cool the engine by boiling a liquid. No one can say for sure which of these and dozens of other innovations will be given the nod by automakers, but one thing is certain: Many new chemical fluids will be needed to make them feasible . . . chemical fluids far different than those used in cars today.

These new fluids are today being developed by creative chemistry, such as the experimental work being carried on in Dow's two new Automotive Chemicals Development Laboratories. Located in Midland, Michigan and Freeport, Texas, the two laboratories comprise extensive research facilities strictly devoted to automotive chemistry. Dow research chemists are currently concerned with many different projects involving the engine, cooling system, transmission, brake system and other important automotive areas.

One interesting area of study concerns viscosity index improvers for

lubricating oils. V.I. improvers help extend the range of temperature conditions under which lubricants can operate. For example, an engine oil standing idle at ten degrees below zero is apt to be pretty heavy and syrupy. But at normal engine operating tem-

peratures of 200 degrees and above, the same oil would "thin out" considerably. V.I. improvers give oil better consistency at both temperature extremes—and at all points in between.

Work on synthetic lubricants for transmissions is closely related. Heavier fluids are needed to carry the increased "loads" required of contemplated transmission designs. Fluids of higher density may permit smaller, more efficient transmissions.

Dow has long been active in the important area of antifreeze and cooling system research. This interest comes naturally, as Dow supplies several different formulations of ethylene glycol



Alleviation of rust and corrosion in the cooling system of today's automobile engine is the subject of continuing study in the Dow Automotive Chemicals Laboratories.

antifreeze to major oil companies and automotive manufacturers. Much of this work is concerned with improving the characteristics of today's all-winter antifreeze. Some, however, is on a strictly speculative basis—such as the engine that is cooled by boiling.

Other projects under way at Dow include the development of improved brake fluids, gasoline additives and several other specialized chemicals. Whatever direction automotive designs take in the next few years, Dow hopes to be ready with new chemical fluids that will meet their requirements.

DOW LOOKS TO FUTURE WITH NEW GLYCERINE PLANT

Glycerine, one of the chemists favorite workhorse chemicals, promises to grow in popularity in the years to come. The reason . . . stated simply, it is glycerine's versatility in so many industries.

Paper, dynamite, food, paint, tobacco, polyurethane, cosmetic and drug manufacturers have long admired glycerine—and not just for its sweet taste. For many years, it has saved many hundreds of thousands of chemicals processing dollars for tight-fisted management teams.

The future for glycerine users . . . very rosy, indeed. In fact, Dow proudly announces that a new improvement in manufacturing technique has led to an even finer quality in Dow's synthetic glycerine. Coupled with product improvement is a brand spanking new glycerine plant in Freeport, Texas.

What does this mean . . . Dow hints profit-minded production men are re-evaluating glycerine. They are using it to replace less versatile processing chemicals. Result . . . improved product and rising product profit curve.

HAIL THE LOW-PRESSURE COOKER!

In processing plants, getting the right amount of heat to the right place is frequently a serious problem. More and more, management men are turning to Dowtherm® A, a heat transfer medium with a number of definite advantages over both direct fire and steam. Dowtherm A has super-high heat stability in the 350°F to 750°F range, permitting pinpoint heat control. It transfers heat at high temperatures with much less pressure than steam. At 700°F, for example, steam exerts a pressure of 3,000 lbs. per square inch. At the same temperature, Dowtherm A pushes out with a pressure

of only 110 lbs. per square inch. Processors are invited to utilize Dow's years of heat transfer experience.



Pinpoint temperature control in 350°F-750°F range can accurately be achieved with Dowtherm.

YOUR INQUIRY WELCOMED. If you would like to know more about the Dow chemicals discussed in this advertisement, or others you may have heard about, write to us today. THE DOW CHEMICAL COMPANY, Midland, Michigan, Chemicals Merchandising Department 607AF7-18.

DOW CHEMICALS

busy behind the industrial scene



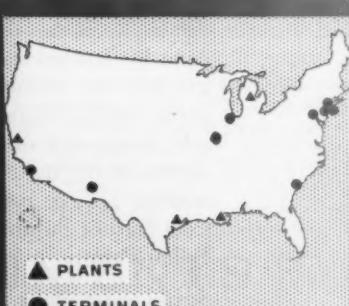
SEPARAN®—An old friend to the mining and pulp and paper industries, Separan flocculants settle solids in solution quickly and efficiently.



BROMINE—Dow continues as a major producer of bromine and brominated products whose uses range from fire retardants to pharmaceuticals.



PHENOL—As an adhesive component, phenol helps adhere plywood sections. Phenolic resins are used to make tough, heat resistant counter and table tops, durable varnish and lacquers.



CAUSTIC SODA—Abundant supply of Dow Caustic guarantees quality product delivered when and where you need it. Four producing plants and nine terminals serve U.S. industry.

DOW CHEMICALS BASIC TO INDUSTRY

Glycols, Glycol Ethers
Amines and Alkylene Oxides
Solvents • Benzene Derivatives
Inorganic Chlorides • Germicides
Alkalies and Halogens
Fungicides • Herbicides • Fumigants
Hundreds of other Chemicals
Plastics • Magnesium

THE DOW CHEMICAL COMPANY
Midland, Michigan



"... specials inculcate a 'habit of excellence,' with viewers returning for quality entertainment . . ."

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NBC contends, in selling time to advertisers. Auto companies have subscribed heavily to the specials, with a chance to stress colors of their new cars in the commercials. NBC also relies on evidence that color shows provide an entree into luxury-class homes and that more people per set watch shows in color than in black and white.

• **Stronger Lineup**—In setting aside weekly hours for specials, NBC hopes to strengthen its whole evening lineup on Tuesdays, Fridays, and Sundays. An out-of-the-ordinary hour show can pick up a lot of before and after audience—people who like to set the dial for the evening.

Advocates of NBC's plan argue that the specials can inculcate a "habit of excellence," with viewers returning to see high-quality, if diverse, entertainment three times a week. Critics of the idea warn that it might not take long for the audiences to shrink if each of the varied shows fails to interest all of the viewers.

• **Night by Night**—The three series of specials were scheduled successively by NBC. The warmest competitive fight is centering around Friday night, and the Friday series was the first to be inked on the schedule.

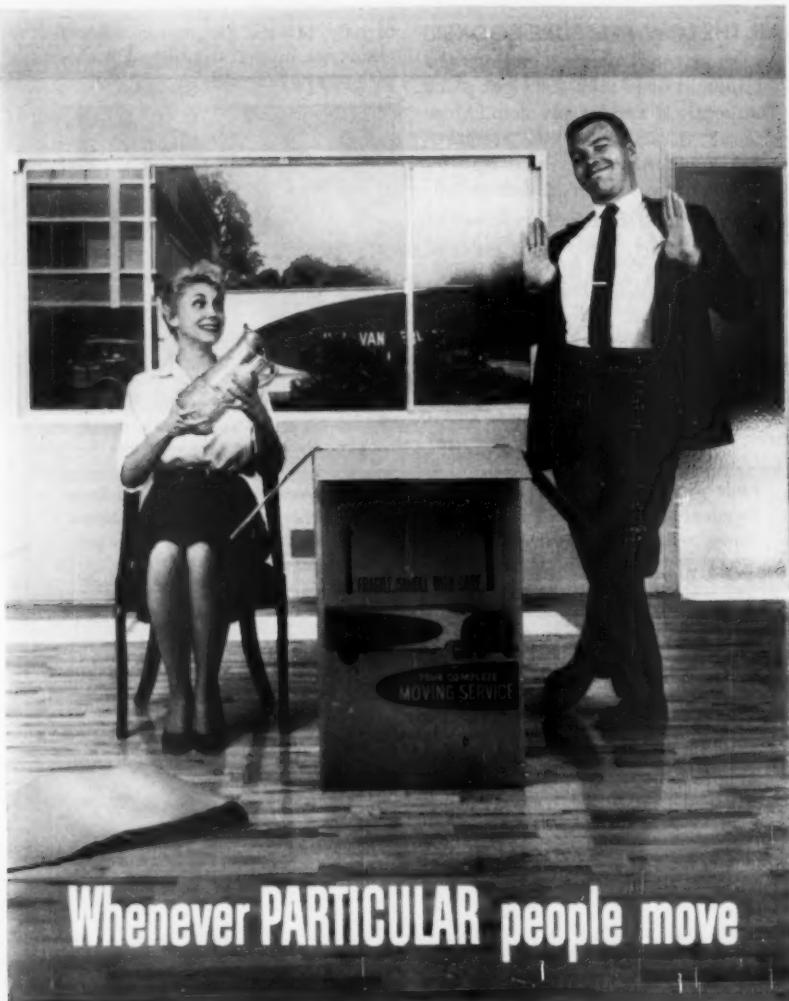
All three networks are concentrating this year on building up the Friday night audience, recently the weakest for weekday evenings. But they are following different methods.

ABC, which carries the idea of a "habit" audience to the point of building whole evenings around one format or another, will offer a solid evening of adventure shows.

"We appeal most strongly to a younger audience that goes for the adventure-type series," says Thomas Moore of ABC. "Friday is becoming one of their big viewing nights. Why, even Walt Disney has turned into an adventure series. With that show as a lead-in, we can capture and keep the adventure-oriented audience with a full evening of the entertainment they want."

CBS, with its first-string lineup almost all back from last year and time almost completely sold out, will try an omnibus approach on Friday evenings. It offers a Western, a situation series, a one-hour dramatic show, an occult science fiction show, and an interview program—something for many tastes.

NBC will fire its Friday specials



Whenever PARTICULAR people move they call the man from **FORD or BURNHAM VAN**

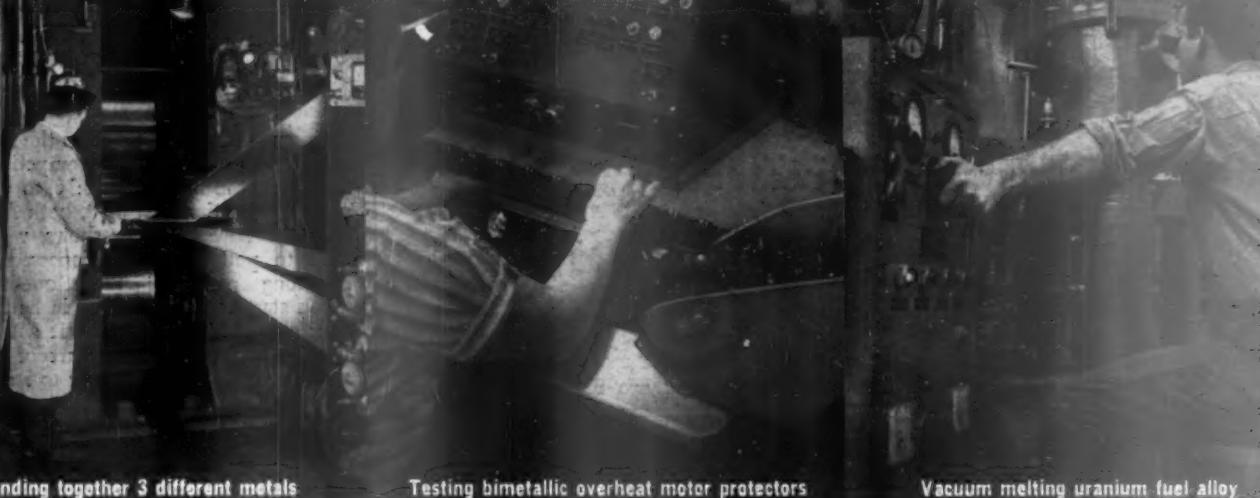
You can be sure of how fragile family treasures will arrive. Your packing and unpacking are done by professionals using special materials and scientific techniques. Too, your household goods travel in equipment custom-designed for safe, secure and swift moving . . . with drivers dispatched to meet your schedule. *It's your privilege . . . be particular . . . call the man from Ford or Burnham Van. He's listed in the Yellow Pages.*

Service to ALL States



BURNHAM VAN SERVICE, INC., COLUMBUS, GA. FORD VAN LINES, LINCOLN, NEB.

TEXAS INSTRUMENTS ADDS METALS & CONTROLS DIVISION



Bonding together 3 different metals

Testing bimetallic overheat motor protectors

Vacuum melting uranium fuel alloy

sciences of metals and matter merge to brighten your space age future

RECENT MERGER of Metals & Controls Corporation into Texas Instruments Incorporated creates a new division which adds broad metallurgical skills to TI's materials-oriented technologies. Metals & Controls has long experience in the development and manufacture of precious and base clad metal products, thermostatic and electrical control devices, and nuclear fuel elements.

Subsidiary M&C Nuclear, Inc. is the largest privately-owned facility in the atomic field engaged in combining fissionable metals with stainless steel, aluminum, zirconium, and other corrosion-resistant metals for nuclear fuel components, elements and cores.

The consolidation of Metals & Controls research and engineering activities at the metallurgical level with other TI skills at the structure-of-matter level will result in creation of new products and improvement of current products throughout the entire organization.

With TI offices now in 65 of the world's principal cities, and 12 domestic and overseas manufacturing

plants, customers will benefit through an expanded marketing program and an even more diversified line of products and services. TI customer-oriented policies will bring increased emphasis both on development and manufacture of advanced technical products and service based on specific customer needs, present and future.



The Metals & Controls division's main plant of 500,000 sq ft in Attleboro, Mass. where all three main product lines of clad metals, thermostatic and electrical controls, and nuclear fuel elements are manufactured. Smaller plants throughout the world provide local sources of supply for clad metal products (including "Truflex" thermostat metal and electrical contacts) and controls (sold under the tradenames "Klixon" and "Spencer")

TEXAS  INSTRUMENTS
INCORPORATED

HEADQUARTERS: 100 EXCHANGE PARK NORTH, DALLAS, TEXAS. **PLANTS:** ATTLEBORO, MASS. • DALLAS, TEXAS • HOUSTON, TEXAS • VERSAILLES, KY. • ADELAIDE, AUSTRALIA • ALMELO, HOLLAND • AVERSA, ITALY • BEDFORD, ENGLAND • BONNEVILLE, FRANCE • BUENOS AIRES, ARGENTINA • MEXICO CITY, MEXICO

OFFICES IN 65 PRINCIPAL CITIES OF THE WORLD

For what it's worth...

What is the meaning of depreciation?

from the Clients' Service Bulletin of The American Appraisal Company

"Depreciation" is a word of many definitions which often gives rise to arguments between people who have entirely different concepts of its meaning.

The accountant usually thinks of depreciation as a means of recovering the cost of a property item over its useful life. He may elect to recover the cost in equal annual installments or in diminishing amounts over the life of the assets. His chief objective is the measurement of manufacturing costs and period earnings.

The appraiser's approach

The appraiser, seeking to measure value, views depreciation in an entirely different light. He starts with the cost of reproduction new and he estimates the depreciation which has accrued—taking into account physical deterioration, condition of maintenance, known obsolescence, and estimated future utility of the property. Under certain conditions, he must give careful consideration to economic factors such as location, technological improvements in the industry, and financial returns from the use of the property.

To weigh the desirability of a present piece of property, in comparison with new facilities that may be available, the appraiser will determine the cost of reproducing the present property, then reduce that figure by the accrued depreciation. Depreciation established for the determination of value is based on evidence at the time of the investigation. Rarely would a proper result be obtained by multiplying the age of the property by a theoretical annual rate of depreciation.

Two roads to one goal

It should be clear from the above that there is no conflict between the accounting concept of depreciation and the appraisal concept. Their

objectives are different and naturally their approaches are different. The appraiser and the accountant may have the same destination, they may cover the same distance and may even arrive together, but they may not be at the same distance from the starting point at any given time.

* * *

American Appraisal Service furnishes up-to-date authoritative information about the existence, cost or current value of assets... and the adequacy of depreciation provisions. Conclusions are reached only after careful consideration of all factual data. An American Appraisal report represents more than half a century of experience in the field of valuation for purposes of insurance, accounting, taxes, property control and corporate financing.

The AMERICAN APPRAISAL Company®

SINCE 1896...LARGEST...MOST WIDELY USED

Home Office: Milwaukee 1, Wisconsin

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Baltimore	Cleveland	Los Angeles	Pittsburgh
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Affiliated: Canadian Appraisal Company, Ltd.
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The American Appraisal Company
Dept. BW, 525 E. Michigan St.
Milwaukee 1, Wis.

Without obligating me, send me your
Bulletin No. 501, "Depreciation in Our
Present Economy."

Name.....

Firm.....

Position or Title.....

Address.....

City..... State.....

". . . the Sunday 8 to 9 p.m.
slot has long been a problem
to NBC . . ."

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against what it considers to be the most vulnerable spot in its competitors' schedules, the hour from 8:30 to 9:30 p.m. Eastern time. At 8:30, both ABC and CBS have half-hour shows, which tend to pull smaller audiences than hour-long programs; their one-hour shows start at 9. By getting in half an hour ahead, NBC is hoping it will be able to hold the greater part of the audience from switching over to strong CBS and ABC shows that start on the hour.

The Sunday 8 to 9 p.m. (Eastern time) slot has long been a problem to NBC. For years the network sought an attraction to counter Ed Sullivan on CBS; when it found such an attraction in Steve Allen, both NBC and CBS were strongly challenged by ABC's Maverick, a one-hour show that steals a march on them by starting at 7:30. Until it cooked up the Sunday special series, NBC was having difficulty selling that time spot.



One-Scent Bus Fare

To ease the ordeal of passengers in street cars and trolley buses in the sultry months, the Tokyo metropolitan government has ordered that 600 of these public vehicles be equipped with artificial bouquets saturated with perfume. Picture shows a trolley bus conductor getting his coach ready for the day's run.

The perfumed cars will be identified by signs, front and back, so customers can choose them or eschew them, according to taste.

ost
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the
ong
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CBS
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deals
30.
cial
ding

**She does more,
you save space
with this "L" work station from ASE**

In the same floor area as an ordinary desk and chair, you can have additional work space and storage with this ASE "L" work station. This double exposure demonstrates the ease and convenience of the L-unit. It divides work into two areas—puts files, reports, reference material at fingertips. All you do is swing from one side to the other, no reaching, no lost motion.

The ASE L-unit is an efficient desk. It puts high-cost floor space to work and provides a better organized office layout. What's more, it's made to ASE quality standards—designed for easy care, lasting beauty. Why not ask your ASE dealer about this space-saving, time-saving L-unit? You will find a complete selection of colors as well as top materials.



ALL-STEEL EQUIPMENT Inc., Aurora, Illinois

Decks • Chairs • L-units • Credenzas • Tables
Bookcases • Filing Cabinets • Storage Cabinets

Correct Lubrication in Action...

Mosinee Paper Mills 'v



Here logs are de-barked before
being conveyed to chipper.
Mosinee Paper Mills Company is
a foremost manufacturer of
specialty papers for industry—
every year produces enough cable-
wrap paper, alone, to encircle the
earth twenty-nine and a half times.



Complete Engineering Program
Proved Petroleum Products

Mobil C

's 'wrap up' \$26,868 saving

Here's how a Mobil Program of Correct Lubrication Helped this Leading Paper Company Cut Maintenance Costs... Improve Production!

Production steps at the Mosinee Paper Mills Company range from de-barking logs to producing specialty papers of many types. Machines and processes are complex and widely varied. Yet, this company has kept maintenance costs to a minimum, solved production problems of all kinds with the help of a Mobil Program of Correct Lubrication.

In addition to supplying a full line of lubricants and paper processing products, Mobil offers this company complete lubrication engineering service. Trained engineers work closely with plant super-

visors—make cost-cutting engineering and lubrication suggestions. Machines are put on a rigid lubrication schedule. Plant oilermen are trained in Mobil "clinics" to qualify them to serve as machine inspectors. These and many other exclusive Mobil services helped Mosinee save thousands of dollars a year—\$26,868 so far.

This is Mobil Correct Lubrication in Action. Perhaps it can help you reduce maintenance costs, improve profits. Why not contact a Mobil representative and find out?



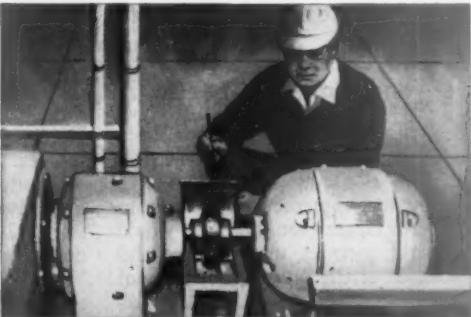
Valves on pulp digester were failing once a month . . . required costly repairs. Mobil engineer suggested engineering improvement in automatic lubrication system that cut valve failures 50%. Savings in repairs, maintenance and production amounted to \$14,949 in 33 months.



Reducer drive gears on slurry agitator, due to heavy loads on impeller, had to be dismantled every six months for adjustment. Mobil recommended lubricant with high-load capacity. Galling was arrested . . . dismantling eliminated . . . \$216 saved on inspection cost alone.



Rollers and cams that vibrate flat screens presented lubrication problem. Vibration "threw off" lubricants . . . exposing parts to corrosion by processing liquids. Mobil recommended a protective shield and a lubricant that didn't "throw off." This procedure saved \$966 a year.



Flexible couplings were failing at rate of three per year. Pump seal replacement time averaged 1½ hours per shift. Mobil recommendations drastically reduced coupling failures . . . eliminated over 1300 manhours of seal replacement time . . . saved \$5,727 in twenty-four months.

oil Correct Lubrication

Another reason You're Miles Ahead with Mobil!



ITEK'S GUIDES—Pres. Richard S. Leghorn (holding paper) with some of company's top brass—directors (seated, from left) Harper

Woodward, Albert Pratt, James T. Hill, and (standing) Vice-Pres. John H. Carter, Vice-Pres. & Treas. Jesse X. Cousins.

Prodigy With a Flair for Profit

Itek Corp., not yet two, tackles problem of storing vast quantities of business and scientific data—and makes money at it.

Just 14 years ago Vannevar Bush, then director of the Office of Scientific Research & Development, wrote a magazine article predicting a wondrous device. No bigger than a desk, it would store books, pictures, maps, letters, and memoranda at the rate of thousands of pages a day for hundreds of years. Moreover, it would retrieve and display any document or combination of documents almost instantly.

The most marvelous part of "memex," as he called it, was that it would retrieve information not by searching cumbersome alphabetical or numerical indexes, but by associating logically connected facts as does the human brain.

Memex isn't available yet, but a number of companies and research labora-

tories are feverishly working to make it a reality. And early versions are perhaps only months away. "It's uncanny," declares 40-year-old Richard S. Leghorn (cover), president of Itek Corp. of Waltham, Mass., one of the companies racing to develop such a system, "how close what we're working on is to memex."

• **Ready for Action**—Experimentally, at least, Itek equipment can reduce and store a 200-page issue of *BUSINESS WEEK* on a "micro-card"—a single square or "chip" of film. It can search through these micro-cards at the rate of 1,000 a second to come up with the one wanted (finding a specific page or article would take a fraction more time, depending on the indexing method). This, says Leghorn, compares with presently available punchcard equipment, which searches at the rate of 20 a second.

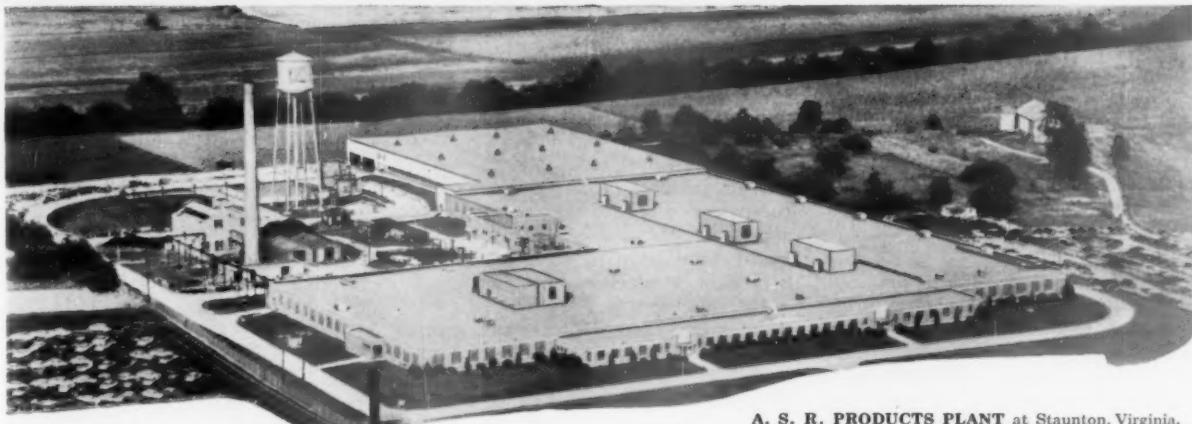
"We have now done enough development work to know that what we're trying to do can be done," says Thomas R. Aldrich, Jr., commercial programs manager. He indicates that the work is

already in the prototype stage, saying, "We're ready to undertake a development contract with a customer who has a sizable information storage and retrieval problem with repetitive characteristics."

• **Money-Making Baby**—Itek itself, though it's far younger than Vannevar Bush's memex concept—the company won't be two years old until September—has progressed well beyond the prototype stage.

In its brief corporate career it has performed some feats almost as remarkable, in their way, as the memory feats that memex promised: (1) Unlike many companies formed to follow the more esoteric paths of science, it has made money from the start (a net of \$169,000 in its first fiscal year ended last September, and "this year we expect it to be significantly better"). And (2) it acquired three outfits, all in the red, and not only meshed them together into a profitable whole but put each one of them separately into the black.

In doing these things, Itek has



A. S. R. PRODUCTS PLANT at Staunton, Virginia, covers 300,000 square feet. With 138 acres, company has ample room for expansion. Products include razors, blades, plastics, sterile surgical blades, carpet industry blades.



NATIONAL SAFETY AWARD has been won by the plant for the past two years. Virginians learn new skills quickly. For example, A. S. R. is now training its own tool and die makers at the plant.



TRANSFERRED EMPLOYEES love the good living and mild climate . . . enjoy the hunting, fishing and outdoor life. Executives are Virginia enthusiasts, too.

These Companies Benefit From PLANTS IN VIRGINIA

- General Electric Co.
- I. T. & T. Corp.
- Dow Chemical Co.
- Babcock & Wilcox Co.
- Sperry Piedmont Co.
- American Oil Co.
- Allied Chemical Corp.

Ask Them Why They Chose Virginia!

"Productivity has never been so good. Absenteeism has never been so low."

*says A.S.R. Products Corporation
after its move to Virginia*

To make way for a proposed civic center, A. S. R. Products had to relocate their plant. After receiving bids from 50 to 60 localities, the company made a thorough study of 20 to 25 sites. Department heads visited the various sites and reported on taxes, transportation, power, water and many other factors. Employing almost 1000 people, special attention was given by A. S. R. to availability of man-

power, the number of schools and churches, housing . . . everything pertaining to people. After adding up the "score" on each site, Staunton, Virginia, won hands down. Among the deciding factors were Staunton's excellent location as a distribution center and Virginia's tax laws which, considered in their entirety, were found to be very reasonable.

Highest production ever

But it was *after* the move that the real wisdom of this choice became apparent. With almost 200 employees transferred and another 800 hired locally, productivity jumped so sharply that A. S. R. is hesitant to release the figure. They will admit that absenteeism is 1.8% compared to a national average of around 5%.

In the words of an A. S. R. executive, "It's been almost too good to be true."

Let us tell you more about the high productivity, the dependability of people in Virginia . . . and about the many other advantages of locating in this state. In confidence, phone, wire or write . . .

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You, too, can find these... and many other great competitive advantages in

Whatever The Season, There's Always A Reason To Visit Virginia

VIRGINIA

"...the company foresees a billion-dollar market developing in graphic information systems . . ."

ITEK on page 78

jumped in two years from nothing to a current sales volume at the rate of \$30-million a year. Starting business with four second hand pieces of furniture and a telephone, it now employs nearly 700 people.

Itek specializes in information technology—and its name, in fact, is derived from this fact. One of its fundamental theses is that most business and scientific information today occurs in graphic form—consisting in large part of words and drawings that cannot easily be put into computer language. Its special field is concerned with the problem of storing and rapidly retrieving such graphic materials as engineering drawings, technical articles.

• **Regearing**—Until a month or so ago, Itek put its main reliance on military research and development contracts. Now, though it's as deep as ever in defense business, it's regearing itself for commercial sales. For the past month it has been talking to potential customers across the country—an aircraft company division buried under 18-million sq. ft. of engineering drawings a year, and a major magazine swamped in picture files, for example.

It's also on the verge of deciding what equipment to build for its own account to turn into salable hardware.

I. Brains for Sale

Itek admits that information technology hasn't yet attained the stature of an industry. But the company was founded on the assumption that over a 10- to 20-year period a billion-dollar market would develop in graphic information systems. It foresees such a huge opportunity because it also foresees that unless vastly improved information handling techniques are discovered, science and industry will choke on the paper they generate.

So Itek, two years ago, sketched out for itself a basic plan of company growth aiming at a gross volume of \$20-million a year in five years. But things have moved so fast the company has already far outdistanced its plan.

• **Not a Hardware Merchant**—In these, its early days, Itek is not primarily a production company. Its specialty is brains. What it will sell commercially at first is not standard pieces of hardware that would store and retrieve graphic information—since there aren't any yet—but competence in the field.

No two companies have identical information handling problems. The way in which information comes to a company varies widely—one might want to

abstract and file periodicals, another might be receiving blueprints, legal documents, personnel records. Where one company might need to make dozens of copies of "archival" quality, another might need only to see a document flashed on a television-like screen.

• **Systems Approach**—So far Itek has been concentrating on technique experimentation. Now it's ready to apply these different techniques. Essentially, what it is offering is an entire system capability-oriented to each customer's needs—covering the acquisition, handling, evaluation, filing, indexing, abstracting, storage analysis, retrieval, display, reproduction, updating, and dissemination of graphic information.

Though Itek itself will not go into data processors, a field it considers crowded, it will not hesitate to make use of presently available digital techniques and equipment where these are needed. "Present computers," it says, "are limited in memory size by the number of bits of information that can be stored on magnetic drums or tapes. Coupling a large graphic file memory on film with such memories as exist on drums, tapes, or cores expands the capacity of high-speed computers to handle huge amounts of data."

• **Microfilm Tool**—That phrase, "a graphic file memory on film," is basic—for miniaturization, or microfilming, is central to Itek's work. But microfilming is a tool, not a system. It makes information easier to store, but its drawback is that information thus stored is harder to use.

Though it isn't saying how—other than by use of advanced electronics and optics—Itek feels it has jumped this hurdle. It can rapidly retrieve the film, and either display it full-size on a screen or automatically make hard copies.

• **Lag**—But though solutions to problems of miniaturization, storage, and retrieval are close at hand, a method of "remembering" by associating logically connected facts is much farther away. "Information technology," says Arthur W. Tyler, a vice-president of Itek and current international bobsled champion, "is perhaps 10 years behind computer technology."

Itek is hard at work on this problem, too. With the help of a contract from the National Science Foundation, it is trying to invent a natural, more logical language that machines can use to index, abstract, and handle scientific and technical information.

But even today, there are available no title-and-author ways of indexing

that are adequate. Since each engineering drawing usually shows only one part, for example, indexing an acre of such drawings presents no insurmountable problem. That's why Itek is looking for a development contract from a customer with a huge problem, but one with repetitive characteristics. That way it can exercise its capabilities without getting, as yet, into the retrieval-by-logical association area.

• **Competitors**—In the field of information technology, Itek is far from alone. Such companies as E. I. du Pont de Nemours & Co., International Business Machines, Eastman Kodak, and General Electric are working on many aspects of the problem. Many colleges and universities—among them Western Reserve University—are working on similar lines. So are many smaller companies. Avco Mfg. Corp's Research & Advanced Development Div., for example, has been developing a high-density, rapid-access information storage facility.

• **Military**—Itek has held its own in defense work, of which it has already snared a goodly amount. But Itek's reticence about specific commercial work is nothing compared to its deathly silence in military matters.

All Leghorn will say about Itek's defense business is that it is in these areas: Various intelligence systems including the handling of data, military reconnaissance, and satellite tracking. The fact of the matter is, however, that Itek is hard at work in the R&D stages of a reconnaissance satellite.

• **Link**—Many wonder how a single small company can work on two such apparently disparate fields as sub-microfilming and photography from space. But there's a close link. One of the limits in both fields is the excellence of the optical system, and this is just where Itek is trying to push back the frontiers. In optical work, the goal is lenses with greater resolution—or in laymen's terms, closer to perfection. In microfilming, greater resolution means reducing letters and numbers to smaller size; in space photography, it permits smaller objects to be recognized.

Then, too, pictures taken in space must be interpreted, stored, retrieved, and compared. That means information handling—more information than ever, at satellite speeds; and in the cold war, less and less time to interpret it. Leghorn sees coming up "one satellite flight photographing all the land masses of the globe. That will mean an enormous amount of information to handle."

II. Turning Red to Black

Itek is one of the many new, research-based companies in the Boston area. But where its neighbors were often

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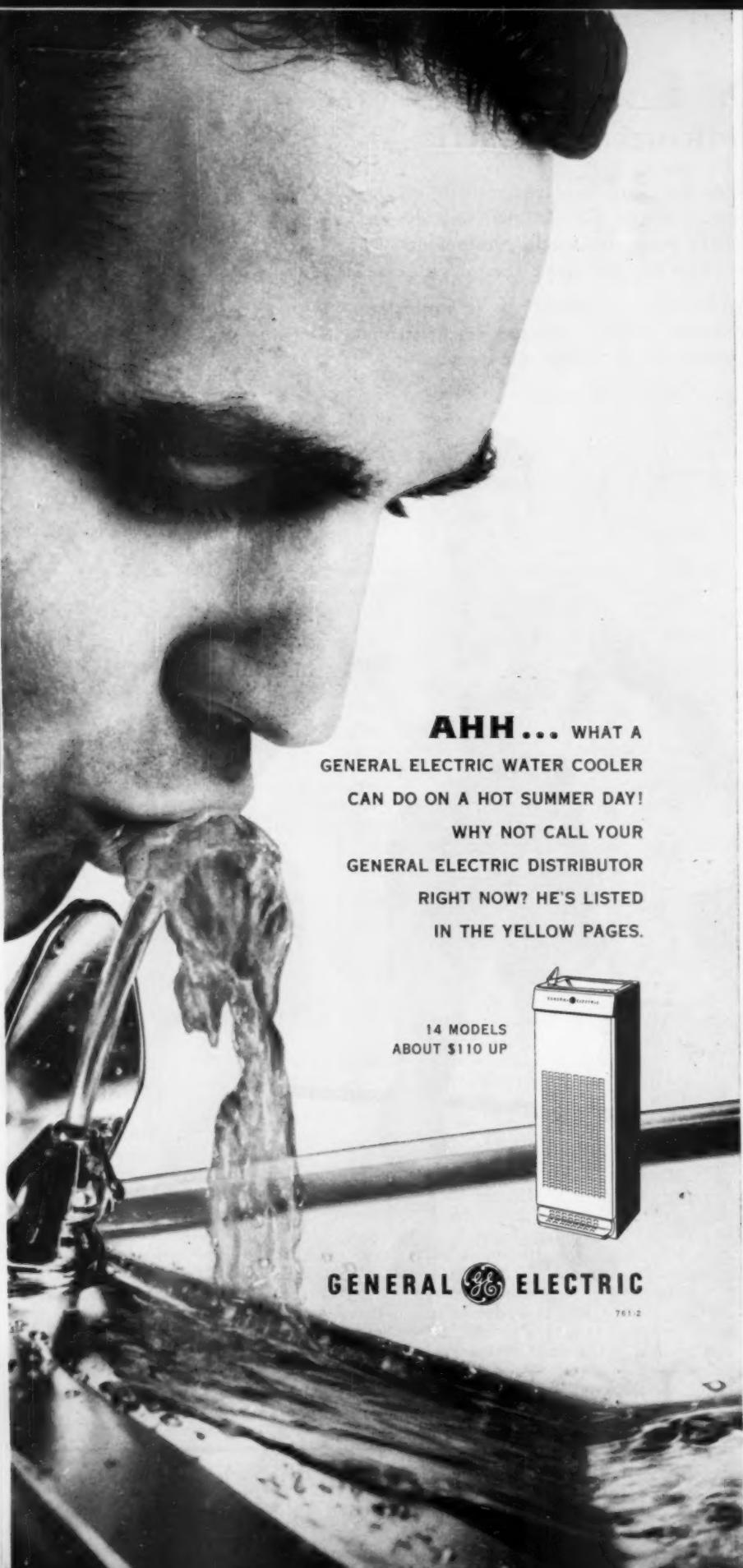
GAYLORD
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HEADQUARTERS, ST. LOUIS
PLANTS COAST TO COAST

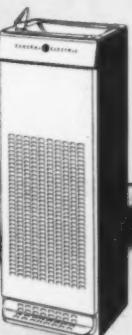
DIVISION OF **Crown Zellerbach Corporation**





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GENERAL  **ELECTRIC**

761-2

started by scientists who had to learn management techniques as they went along, Itek was founded and is run by a scientist who has been a management man all his business life.

Leghorn, a Massachusetts Institute of Technology graduate with the class of 1939, was manager of Eastman Kodak's European operations when he left to form Itek.

• **Getting Under Way**—In 1957, Leghorn made market analyses, and sales, cash, and profit and loss projections based on certain assumptions.

On the basis of these ideas he started talking financing. Among the people he interested was Laurance S. Rockefeller, who today owns 32% of the company's stock—effective working control.

To start the company, stock was subscribed at \$2 a share; it's now quoted in the neighborhood of \$47, after a subsequent 5-for-1 split. Its stock has the reputation of being highly volatile.

Founders of the company, in September, 1957, were Leghorn, Tyler, Jesse X. Cousins—a former vice-president and treasurer of Chase Aircraft Co., who was recommended by Rockefeller—and Duncan E. Macdonald, founder of Boston University's Physical Research Laboratories and dean of its Graduate School.

The Boston University lab under Macdonald developed the first airborne panoramic camera, which on its first mission took one photograph showing the entire Connecticut River valley from Connecticut to New Hampshire.

• **Busy Man**—One reason Leghorn left Eastman Kodak to form Itek, he says, was that at Eastman his was entirely a business job, and he wanted to be in R&D work. But at Itek he can only spare one hand for the scientific aspects; the other has to busy itself with fiscal controls, overhead reduction, and seeing that the company doesn't spend more, on balance, than it takes in.

One of his most unusual jobs—and one he takes very seriously—is that of warning would-be stockholders. "We have been, at all times, very frank in advising people to take a long, hard look at Itek before investing in its securities," he says. He told the annual meeting last January, before the stock split, that assuming a market price of \$200 a share, the total value of all outstanding shares would approach \$26.5-million; and contrasted this with the book value of the shares, as of last Sept. 30, of \$960,000. (On the basis of current shares and values, book value is now about \$6.6-million.)

• **Growth by Acquisition**—When Leghorn drew up the original blueprint for Itek, he was figuring on growth from within. Instead, the company has grown more by acquisition—and it's that, mainly, that has put it so far ahead of its plan.

The first "lucky break" came when

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nothing drives home sales like AWHERENESS



...and nothing builds AWHERENESS like the Yellow Pages

Whether your business is Automobiles, Awnings or Antiques, gear-up for greater volume when you add AWHERENESS to your advertising plan. Let the Yellow Pages, the buyer's guide that reaches over 65,000,000 prospects, put AWHERENESS to work for you —by telling people who want to buy *where* to find the product or service you sell.

For the maker of brand-name products,

Trade Mark Service in the Yellow Pages makes prospects aware of his local outlets. For the local businessman, Yellow Pages advertising tells the community of the products and the services he offers.

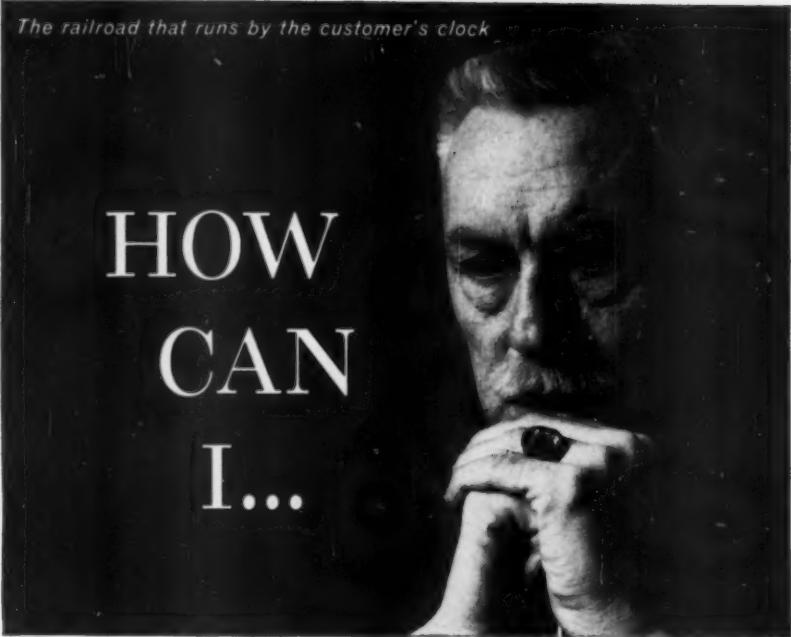
Let the Yellow Pages man tell you how easy and inexpensive it is to build AWHERENESS for your business. Call him at your Bell telephone business office today.



The advertising medium that tells people where to find your local outlets!

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HOW CAN I...



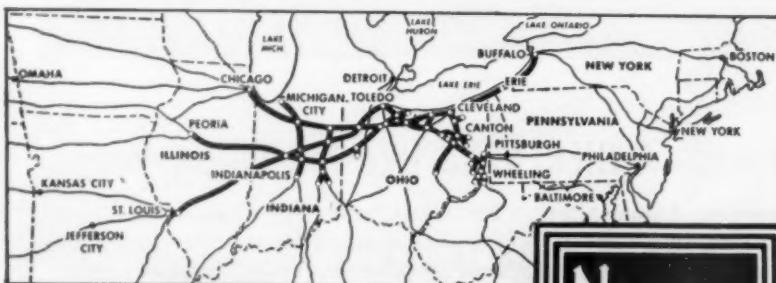
Get dependable shipments in any weather?
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Itek was able to take over Boston University's Physical Research lab and all its people, on Jan. 1, 1958. At the time this was an immense gamble; the lab hadn't a contract to its name. One of the problems, in fact, says Leghorn, was that "while it was tops in optical R&D work—the very field we wanted to get into—it had no sales activity as a group."

The tie-up with Itek supplied this deficiency. The lab, which had been losing money, went into the black in March, 1958.

• **Manufacturing**—This acquisition gave Itek needed research people and facilities. The next step was to gain manufacturing capabilities. By another extraordinary lucky break, it acquired these in a company called Vectron, Inc. Vectron's business was essentially selling subcontracting manufacturing services to prime government suppliers; its specialty was electronic and photographic apparatus and subassemblies.

But, it, too, was losing money.

Itek acquired Vectron on May 20, 1958, for 22,382 shares of stock—at an agreed value of \$8 a share, since there was then no market for Itek stock. Vectron's manufacturing capabilities meshed well with the Boston lab's research; and by spreading necessary management functions over both places, economies were established.

• **Marketing**—Itek had one further lack—a marketing organization. To fill this need, again, it "bought a ready-made sales organization." The company it acquired for about \$4-million was, relatively speaking, huge. Photostat Corp., which became part of Itek last January, had annual sales of approximately \$19-million. An old-line company in the duplicating business, it had almost no R&D facilities, did little manufacturing.

Again, the first problem with Photostat was to stop it losing money. This has been accomplished. Itek, says Leghorn, "found we could cut out 100 people who weren't producing. We also found that Photostat was paying noncompetitive prices for its supplies."

Next phase will be to give Photostat's sales force some Itek-developed-and-manufactured equipment to sell.

• **Greater Than the Parts**—Itek has also purchased Vidya, Inc., a small group of senior scientists located at Palo Alto, Calif., specializing in sciences "affecting vehicles moving in upper atmosphere and outer space."

Essentially, in its acquisitions, Itek has put together a whole that is greater than the sum of its parts—and it's this that has turned red ink into black.

Above all, though, Leghorn credits the spectacular success of his young company to working out a basic strategy and sticking to it, instead of wandering into the "tempting little alleys" that lead off the research road. **END**



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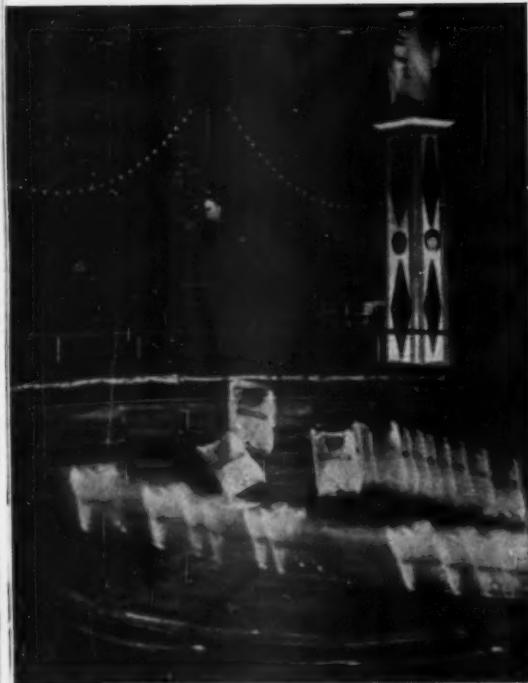
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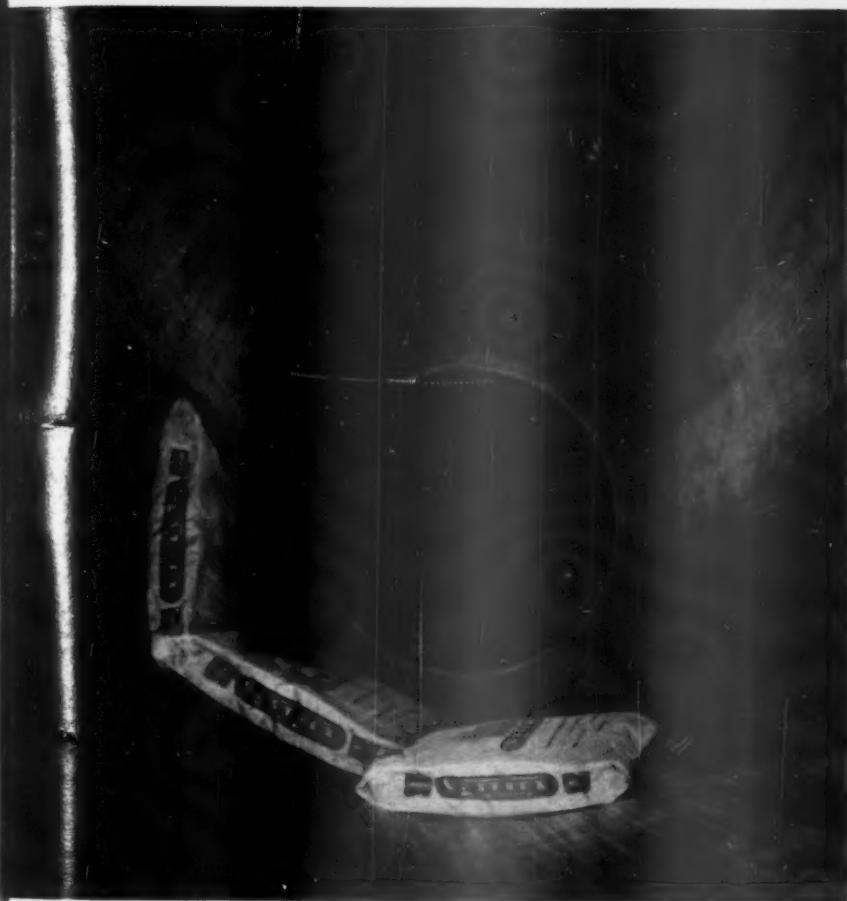


Actual photographs taken at the Steeplechase Park Fun House at Coney Island

St. Regis bag takes Steeplechase ride without a spill!

No multiwall bag would ever get this kind of treatment in commercial shipping. But our engineers were willing to bet that a St. Regis Multiwall Bag could survive even the hazards of a Coney Island Steeplechase ride. To prove it, they sent one scooting up, down and around through all sorts of bumps and knocks. And it came "smiling through" without a single spill! The engineers won their bet.

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These are just a few of the highlights in

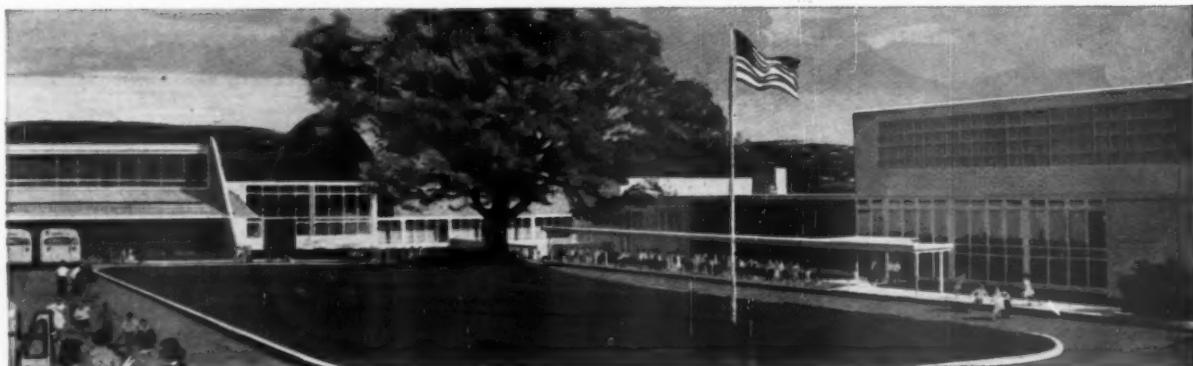
our continuing program to help industry move its goods to market in better condition, at lower cost. In multiwall packaging and containers, as in plastics, paper and converted paper products, St. Regis continues to grow as "a company that builds its future on service."

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JULY 18, 1959



The U.S. position in foreign trade still shows no improvement. Our sales abroad are merely inching forward, while imports show surprising strength.

Although official trade figures for June aren't available yet, it's clear that second-quarter imports rose by as much as exports did—something that hadn't been expected.

At the start of the year, most trade experts were forecasting that our exports would climb fairly rapidly this year and imports would gain only a little. The growth in overseas sales, said the experts, would steadily close the big gap—\$3.3-billion in 1958—that had developed in our over-all balance of international payments.

When the figures for the first half of 1959 are released, they will show a picture about like this: Exports of \$8-billion and imports of \$7.3-billion—giving the U.S. a surplus of \$700-million on its merchandise trade.

But that surplus won't nearly cover the deficit items in our international accounts for the first half—things like net tourist spending, private investment abroad, government, military and aid expenditures. When a balance is struck, the half-year deficit comes to about \$2-billion.

The prospects for the second half aren't much better, though a real improvement might be underway by the fourth quarter.

As things look now, imports will continue rising throughout the year. Steel imports, already up in anticipation of a strike, undoubtedly will continue at a high level.

As for exports, they should show some gain in the third quarter, but not much. The fourth quarter will be the one to watch. By that time the business upturn in Western Europe should start helping our export sales. The European upturn is bringing an inventory buildup and it soon may spark a rise in industrial investment. As Canada has moved through this cycle this year, our sales there have gained momentum.

Despite the size of our payments deficit this year, there hasn't been anything like the drain on our gold reserves there was in 1958. That's largely because interest rates here have risen to a higher level than in Western Europe. This makes it worthwhile for foreign nations to invest their added dollar holdings in New York, rather than to convert them into gold.

—•—

U.S.-Cuban relations have reached a critical stage. This week Fidel Castro's former air force chief, Pedro Luis Diaz Lanz, told a Congressional committee in Washington that Cuba's revolutionary leader is a Communist—aims to turn the island into a Communist state. Whether the charge is true or not, it is bound to have serious results.

On the one hand, it probably will make Castro more anti-American than ever. For example, it is unlikely that he will listen now to American officials who have been trying to get him to modify his land reform program.

On the other hand, the Cuban people won't be satisfied if Castro simply brushes off Diaz's charge against him. The Castro government is far from settled in office. Castro has lost much of the support that carried him to power. Cuban businessmen, landowners, and a cross-section of the public have become increasingly critical.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JULY 18, 1959

Just before Diaz gave his testimony in Washington, Cuban Pres. Urrutia made a strongly anti-Communist speech in Havana. But it's not clear whether he took this step on his own.

At midweek U. S. officials were waiting to see whether the Cuban President would stick with his anti-Communist line—and, if so, how long he would last.

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In Argentina, Economics Minister Alsogaray is trying to put the austerity program on a new footing. He is out to build public confidence that the program will succeed. And he has this strong card: The public at last seems to realize that it must accept belt-tightening.

Two weeks ago Alsogaray demobilized thousands of workers who had been drafted by Pres. Frondizi. In this way, the Economics Minister hoped to ease relations with the labor unions.

This week he began tackling the government's swollen budget. He cut 40,000 employees from the civil service payroll and started paring Argentina's oversized armed forces.

Alsogaray's real goal is to expand industry and agriculture. He looks at austerity as simply a stepping stone—a means of attracting foreign private capital and getting domestic capital, now hidden, into long-term investment.

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Spain soon should be able to launch its program of economic reform (BW—Jun. 20'59, p148). The program now has the support of the International Monetary Fund, the Export-Import Bank, the Organization for European Economic Cooperation (OEEC), and a group of New York banks.

Under an aid package being worked out this week, Spain is due to get an IMF stabilization loan of at least \$75-million, an Ex-Im loan of \$30-million or more, and \$75-million from the private banks. An additional \$90-million will be available through the European Monetary Fund if Spain joins OEEC.

Before Spain gets these loans, though, it must liberalize its trade, provide incentives for private investment (both domestic and foreign), and agree to a new exchange rate of about 56 pesetas to the dollar.

—•—

Election fever has started to take hold in Britain. The dopesters now think Prime Minister Macmillan will go to the polls about mid-October.

Here's how the dopesters figure things: By October, business will be booming in Britain, unemployment will be down, and—with luck—Macmillan will have a summit conference under his belt. Then, there's the fact that a bad split has just opened up in Labor party ranks over the H-bomb. One wing of the party wants to renounce nuclear weapons—something that doesn't make sense to the majority of Britons.

The odds favor a Conservative victory, though the margin will depend a lot on how well the Liberals do. (The Liberals expect to take votes from the Conservatives in the northern part of the country, from Labor in the south.)

Despite the odds, many British investors are hedging on the outcome by switching from equities to gilt-edged bonds. Stock prices are dropping on the London market, probably will continue to do so until the election is over.

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B. R. Dew confers with B. B. Irwin, Chief Dispatcher at Rock Island, Ill.

*Can railroads offer
personalized service?*

On the Rock Island, Yes

to quote B. R. Dew, superintendent of the Rock Island Division

From time to time shippers complain that some railroads are too big to care about a single car of freight . . . that the persons affected by a delayed shipment are treated with indifference.

"This isn't true of the Rock Island," says Mr. Dew. "We don't function as one huge, impersonal railroad. Rather, we operate on a divisional basis—as seven small, integrated, well organized roads.

"On the Rock Island Division, for instance, I have 3,000 men helping me run 1500 miles of track. This is a workable size—one that enables us to be on top of every situation.

"When a bad order car is set out en route, a report goes immediately to my chief dispatcher. He does two things fast: (1) dispatches a work crew to repair the car; (2) teletypes the transportation officer in Chicago, who im-

mediately wires or phones the appropriate traffic representative. He in turn informs the shipper or consignee without delay. Usually the car is repaired and back in service within 24 hours, and the interested parties are again notified so they know the exact status of the shipment at all times."

Personalized service—this, we believe, is what makes friends for the Rock Island. We may slip occasionally. But only occasionally. The important thing is that Rock Island people do take a personal interest in your shipments. Our job is to keep shippers happy, and if we're not doing it, we want to hear about it.

Route your next shipment via Rock Island. Give us a chance to prove that "personalized service" is more than an empty phrase.

If you have any comments, pro or con, regarding our rates or services, we invite you to discuss them with your Rock Island traffic representative.



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component of such widely different items as automobile anti-freeze, disinfectants and germicides, non-flammable dry cleaning solvents, plastics, drugs. And it is put to work as a pulp and textile bleach, a metal refining agent, and a cellulose purifier in the manufacture of rayon.

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In Washington

Washington's \$2.5-Billion Transit Plan Calls for 99-Mile High-Speed Network

A \$2.5-billion, 10-year master plan to rescue the nation's capital from commuter strangulation has been proposed to the White House and Congress. The plan, one of the most comprehensive ever made, is the product of four years of study by a panel of government and industry experts.

Assuming that metropolitan Washington's present 2-million will have grown to 3-million by 1980, the planners propose a 99-mile network of high-speed railroads, subways, and buslines to link the sprawling centers of employment with the equally sprawling suburbs—which are expected to see the lushest growth.

The planners want Congress to set up immediately an interstate agency to regulate transit in Washington, Maryland, and Virginia, with a temporary public corporation created to get the plan going. The corporation would have initial powers to acquire rights-of-way, build and operate facilities and to finance them from transit revenues and federal contributions. Later, a permanent interstate agency would absorb these functions, bolstered by limited powers of taxation.

The White House has called on government agencies to study the plan in detail, and make recommendations which are likely to be the basis of any later request for Congressional action.

Out-of-Town Callers to Pentagon Can Dial Extensions Directly

Out-of-towners can now dial directly to individual telephone extensions in the Pentagon. You do it this way: First dial 202, which is Washington's long distance code number; then dial OXFORD and the extension you want. The call will bypass the Pentagon switchboard and get you the extension directly. For example, if Joe Jones is on extension 4-3147, you can dial OX-4-3147; all Pentagon extensions are five-digit numbers, starting with 4, 5, 6, or 7.

If you don't know Jones's extension, you can still call the main switchboard (LIBerty 5-6700) and ask the operator.

Court Upholds Dixon-Yates Contract, Orders U.S. to Pay Utility \$1.8-Million

The Dixon-Yates contract—subject of a five-year bitter controversy between advocates of private and public power—has been ruled valid by the U.S. Court of Claims.

Now the Justice Dept. must decide whether to ask the U.S. Supreme Court to overturn the decision, which

directs the government to pay the utility firm \$1,867,545 in termination costs.

A 3-to-2 majority of the court held that Adolph H. Wenzell, vice-president of First Boston Corp.—which handled part of the financing—was not involved in a conflict of interest when he acted as the government's adviser while the contract was being set up.

Under the controversial contract, the Dixon-Yates utility group agreed in 1954 to build a huge power generating plant at West Memphis, Ark., to provide current needed by the Atomic Energy Commission.

AEC canceled the agreement in 1955, explaining that it would get the power from another source. Mississippi Valley Generating Co.—as the utility combine was officially known—sued for recovery of \$3.5-million.

The Justice Dept., in fighting the case in the Court of Claims, contended that Wenzell's "conflict of interest" rendered the contract null and void.

The Court of Claims decision is in line with recommendations last October by a court commissioner that the award, if made by the court, should total some \$1.8-million.

Strong Opposition to Gas Tax Hike Expected When House Hearings Begin

The House Ways & Means Committee will start public hearings next week on various proposals to pump more money into the interstate highway system.

Administration officials will testify in behalf of Pres. Eisenhower's proposal to increase the federal gasoline tax by $1\frac{1}{2}$ ¢ to $4\frac{1}{2}$ ¢ per gal. They probably will be followed by a parade of witnesses from highway user groups, the oil industry, and other interests that are opposed to any increase in the gasoline tax.

Democratic leaders in the House hope to use the hearings, scheduled to open July 22, to dramatize to the Administration the extent of the opposition to increased gasoline taxes. The Democrats privately have been willing to raise the tax by $\frac{1}{2}$ ¢ or 1¢ per gal., but Eisenhower reportedly turned down the compromise.

Renegotiation Act Extended For Three Years With Single Change

The Renegotiation Act, by which the government can recapture "excessive" profits on defense contracts, was renewed this week for three years.

The extension bill has one change, raising from two years to five the time in which contractors can carry forward losses on defense business as deductible costs on subsequent contracts subject to renegotiation.

The final version knocked out House amendments to simplify appeal by contractors from rulings of the Renegotiation Board. An industry plea to exempt incentive contracts was also turned down. However, Congress authorized a full-scale inquiry into the operation of renegotiation; this should give defense producers a fine chance to sound off for revisions next year.

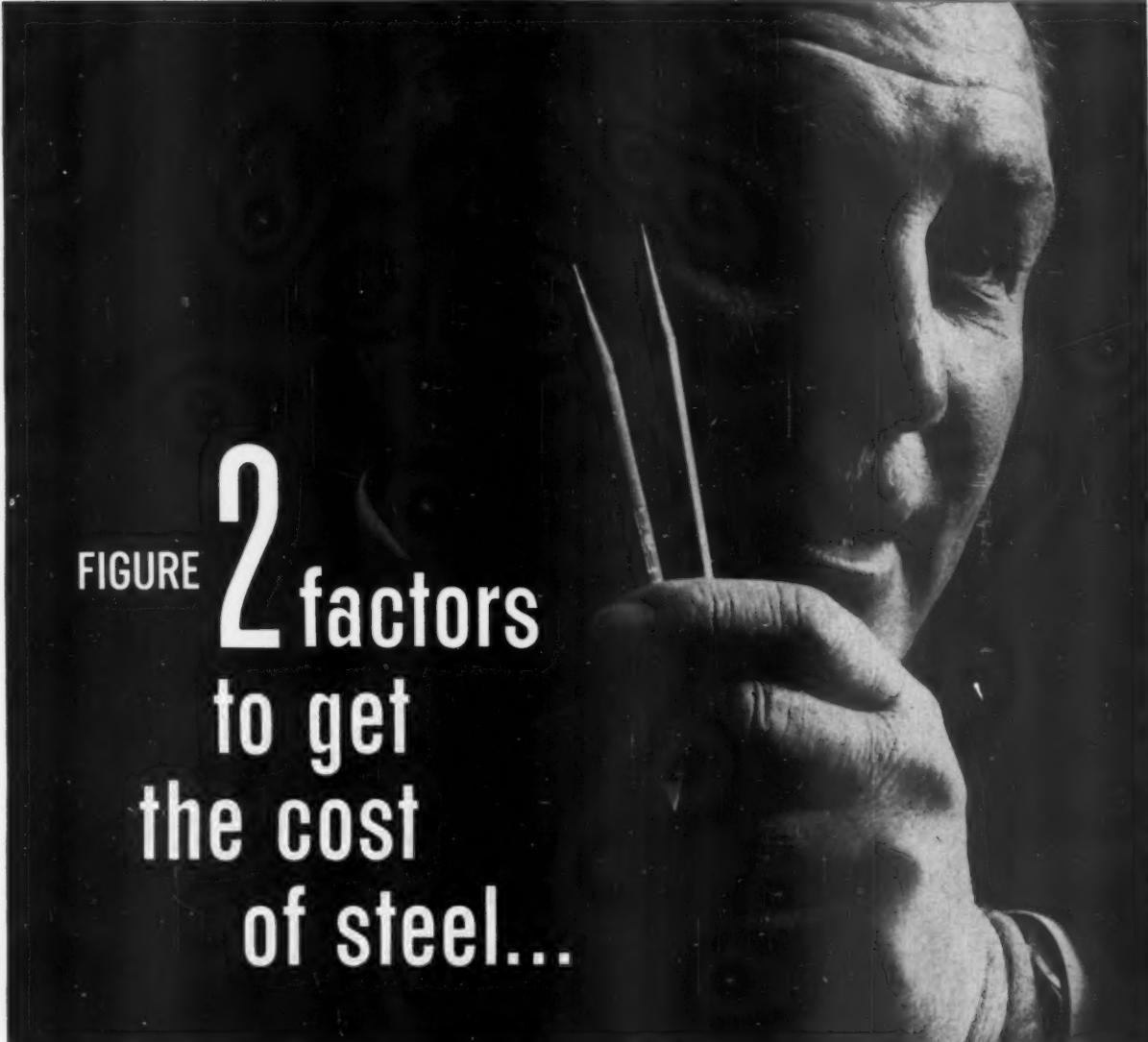


FIGURE 2 factors to get the cost of steel...

Price and the COST OF POSSESSION!

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If you're placing steel in inventory be-

cause you think it's a bargain, compare *all* of your costs, including *cost of possession*, with the price and *freedom from risk* of buying from your Steel Service Center.

Get the booklet, *What's Your Real Cost of Possession for Steel?* from your nearby Steel Service Center. Or write to American Steel Warehouse Association, Inc., 540-B Terminal Tower, Cleveland 13, Ohio.

COST OF POSSESSION FOR STEEL IN YOUR INVENTORY

Per ton delivered	_____
Cost of capital:	_____
Inventory	_____
Space	_____
Equipment	_____
Cost of operation:	_____
Space	_____
Materials handling	_____
Cutting & burning	_____
Scrap & wastage	_____
Other costs:	_____
Obsolescence	_____
Insurance	_____
Taxes	_____
Accounting	_____
TOTAL	_____

COST OF FREEDOM-FROM-RISK STEEL FROM YOUR STEEL SERVICE CENTER

Per ton, cut-to-size, and delivered	_____
TOTAL	_____



The American Steel Warehouse
...YOUR STEEL SERVICE CENTER

LABOR

Auto Makers Trip Over a Word

It's all in a definition; Detroit says that Michigan court's interpretation means strikes financed on jobless pay. The hassle could open up a new bargaining issue.

The dictionary says the word "establishment" means "an institution or place of business with its fixtures and organized staff." In January, the Michigan Supreme Court ruled the word has a considerably broader meaning. So, as a result, it means trouble to the auto industry—and possibly a new issue the next time the industry goes to the bargaining table, in 1961.

The trouble comes from a changed interpretation of unemployment compensation rules by the Michigan Employment Security Commission. Acting on the court's definition of establishment, the MESCA is issuing findings in batches to the effect that auto workers in Michigan laid off because of strikes of fellow unionists in other plants of the same company are entitled to unemployment compensation.

By last week, 1,400 had been made eligible for UC under such circumstances, and the big flood is yet to come. The 1,400 were included in only seven cases; MESCA still has 52 similar cases to go and these cover nearly 28,000 workers.

• **Examples**—Two of the new rulings show what has the auto industry up in arms. Last September, employees struck at a Fisher Body plant in Flint, causing the shutdown of a Chevrolet assembly line. Fisher and Chevrolet occupy one building, and the Fisher bodies travel on a conveyor line to the Chevrolet work area. The Chevy employees laid off were granted unemployment compensation.

Somewhat similarly, workers at the Plymouth assembly plant in Detroit were deemed eligible for UC because of a strike of workers at the Plymouth body plant a few miles away.

The MESCA reasoning in both cases was the same: The body plant employees were in a separate local; they were hired through a separate employment office and covered by a separate labor relations office. This all comes from the state Supreme Court's ruling on what the word "establishment" means.

• **Court Ruling**—For the purposes of the unemployment compensation act, the court decided that a separate establishment is one which has its own employment office, its own local union or labor contract, its own seniority plan, its own industrial relations office, its own plant management, and its own production schedules. That threw into the ashcan a previous concept that two

plants that were "functionally integrated"—such as a body plant serving an assembly plant—were one establishment.

The state Supreme Court's decision came in a Ford Motor Co. case that went back to 1953. At that time a Ford forge plant in Canton, Ohio, was struck. Because of the lack of forgings, Ford had to shut some plants in its Dearborn, Mich., complex and lay off workers.

About 1,000 of the Michigan workers applied for UC. They were refused benefits, and appealed. In finding for them, the state Supreme Court overturned a 17-year-old precedent which held that nine Chrysler plants constituted an establishment because they were dependent upon each other. Ford appealed the decision to the U.S. Supreme Court, which eventually refused to review the decision because no constitutional question was involved.

That's why a backlog of 59 cases grew at MESCA, practically all in the turmoil during last year's contract negotiations between auto companies and the United Auto Workers. Ironically, because few believed the Ford workers would win, a relatively small number of last year's strike-idled workers filed for unemployment compensation. The number who would have been eligible for aid under the recent MESCA rulings could have been in the hundreds of thousands.

• **Relief Sought**—Since the U.S. Supreme Court slammed the door on Ford, auto companies have been trying to get the Michigan legislature to pass a law which, in effect, would define establishment more in line with the Chrysler case of 1941. Otherwise, say the companies, they are sitting ducks.

Any time they get into a hassle with UAW the union could shut down a key supply plant employing only a small number of workers. These workers would not get UC, but the overwhelming majority of the company's workers, laid off because of parts shortages, could collect benefits.

The companies cry in alarm that this would be forcing them to finance a strike against themselves. Ford believes this is precisely what happened at Canton. It contends that UAW, trying to force a reopening of a five-year contract that had two years to run, picked a key supply plant that could shut down the entire company's operations unless Ford yielded to union pleas that it reopened the contract. The contract was reopened.

UAW indignantly replies that it doesn't play that way. The proposed legislation, UAW says, could be used by a company to foment a strike in a plant for purposes of "inventory adjustment" and in that way idle employees in other plants with no chance of their getting strike benefits, unemployment compensation, or supplemental unemployment benefits.

• **Other States Pay**—Anyway, asks the union, what's all the shouting about? The state Supreme Court decision merely brings Michigan into line with the majority of states, which pay UC to employees idled by strikes in other plants. UAW officials point out that when a "speed-up" strike in Ford's Rouge plant in 1949 closed the company's operations nationwide, Ford employees got unemployment compensation in New York, Pennsylvania, Illinois, Texas, New Jersey, Missouri, California, Kentucky, Tennessee, Virginia, Massachusetts, and Minnesota. Ford didn't do anything about it, then, says a union man.

"Oh yes we did," a Ford labor relations official says. "We fought it in every state and all we succeeded in doing was making a lot of bad law." Texas, however, later amended its law so that UC cannot now be paid under such circumstances. Connecticut and Georgia also ban strike-associated benefits and a test case is in Ohio courts.

The auto industry claims the unanimous court ruling in Michigan must be upset because that state is the focus of their operations. There is more to it than that, however.

One factor is industry's disinclination to trust UAW's assurances that it will not abuse the new (for Michigan) establishment concept. Another is a determination of auto employers to "protect" the economic climate of the state; many industrialists charge that the UC ruling is a dramatic example of how the labor-oriented Democratic administration is harrassing the state's industries.

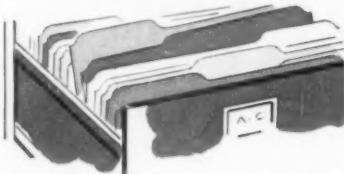
• **Bargaining Issue?**—If they fail to make their point in the Michigan legislature, the auto companies will have to ponder what they can do through their contracts with the union.

It seems certain that the companies aren't going to let the matter stand as it is, if anything can be done about it.

"The Commission decisions illustrate very clearly the arbitrary and unreasonable burdens which the Supreme Court's decision has created for multi-plant manufacturing concerns which provide the major share of manufacturing employment in the state," GM Vice-Pres. Louis G. Seaton told the state Senate. **END**

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TECHNICAL PAPERS FOR INDUSTRY

More Strikes

Tieups by Mississippi towboatmen and British Columbia woodworkers hurt industries and regions.

While public attention this week centers on the steel strikes (page 23) several small but critical strikes are having a serious impact. They underscore a general increase in strike activity. According to the Bureau of Labor Statistics, such idleness in May was slightly above April and also above the previous two Mays.

Time lost due to strikes in May, BLS says, amounted to 2½-million man-hours, or 0.4% of total working time.

- **Mississippi Towboats**—About 60 towboats belonging to four barge lines that carry more than half the common carrier freight on the Mississippi River system are tied at their moorings while the operators and the unions argue about who shut down whom on July 1, after contracts expired.

The unions—National Maritime Union, Marine Engineers, and Masters, Mates & Pilots—all say they would continue working if negotiations are extended. The companies—Federal Barge, Mississippi Barge, American Commercial Barge, and Union Barge—say they can't solicit business on a day-to-day basis, though they are willing to extend talks if the unions agree to give 30-day warning of a stoppage. Unions say the issue is job security, rather than wages.

This year, operators ordered the towboats to moorings before the contract expired. Four years ago, the unions struck unexpectedly during negotiations, forcing the owners to tie the boats up anywhere they could.

"To protect equipment and cargo," an operator recalls, "we had to keep crewmen on the boats. So we wound up paying crews while they were striking against us."

- **Canadian Lumber**—The Canadian Northwest lumber business was tied up by a strike of British Columbia union men last week. The walkout is expected to cut U.S. imports from that area by half—an average of 80-million board-feet a month. It means losses to the province's economy of perhaps \$3-million a day.

Despite government intervention, talks between the International Woodworkers of America and Forest Industrial Relations, which bargains for management of 203 companies, broke down on July 7. The union is asking for a 20% wage increase; management offered less than half as much and wants to spread it over two years. END



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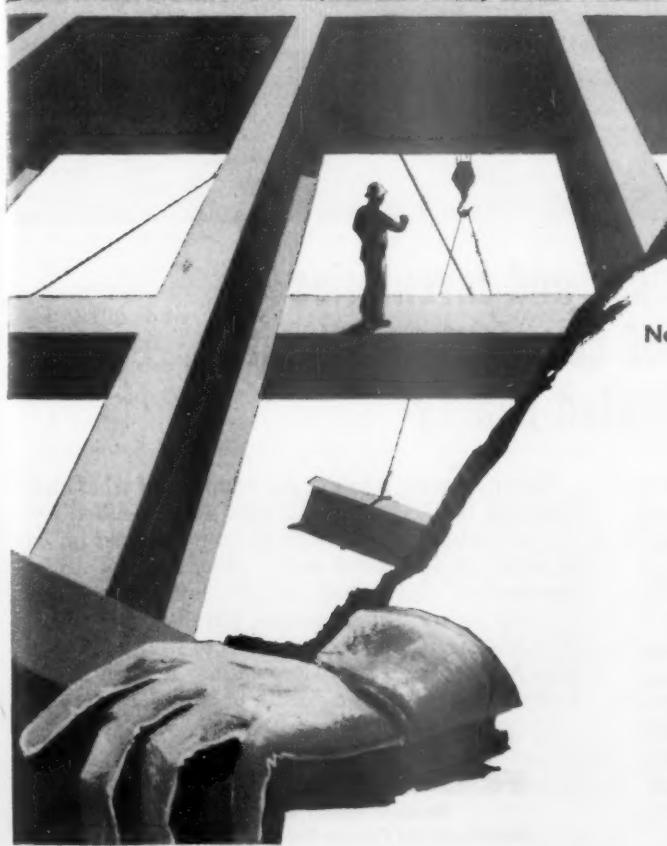
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Republic Foil, Inc., the world's largest producer of high purity etched foil for electrolytic capacitors, selected Salisbury, North Carolina, for the site of a \$500,000 plant. This was the 1500th new and expanded industry announced by Governor Luther H. Hodges, North Carolina's business-man governor, since taking office in November, 1954. These new and expanded industries represent

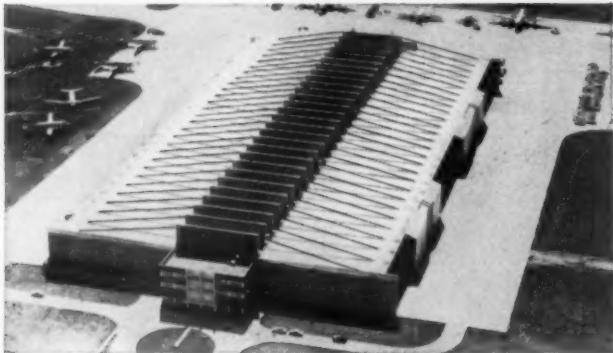
An industrial investment of
750 MILLION DOLLARS

Approximately

80,000 NEW JOBS
in industry

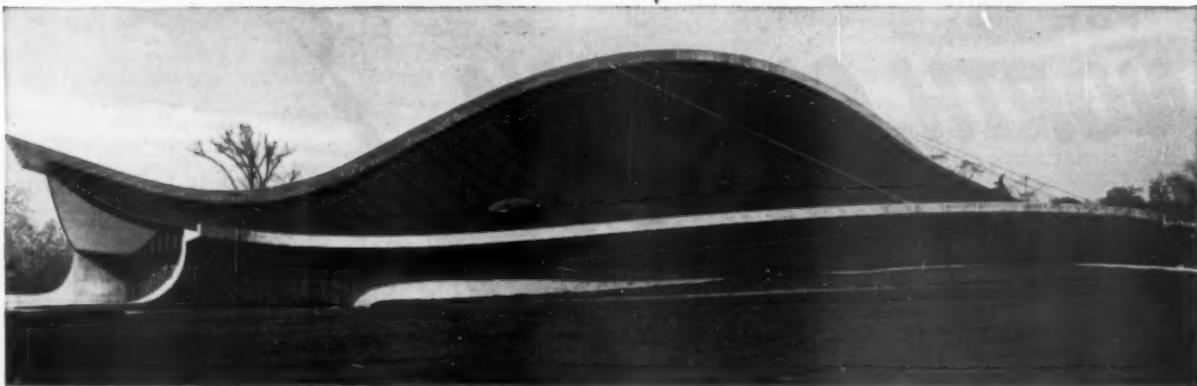
Progressive North Carolina welcomes new and expanding industries.
All inquiries are held in closest confidence.
Wm. P. Saunders, Director
Department of Conservation and Development
Raleigh, North Carolina

UTICA MEMORIAL AUDITORIUM, N. Y. Architects: Gehron & Seltzer, New York City • Associate Architect: Frank C. Delle Cese, Utica • Consulting Engineer: Dr. Lev Zetlin, New York City • Contractor: Sovereign Construction Company, Ltd., Fort Lee, N. J. • Roof Supporting Structure, Including Cables, Furnished and Erected by Roebling



TWA HANGAR - MID-CONTINENT INTERNATIONAL AIRPORT, KANSAS CITY • Designed by Burns & McDonnell, Kansas City • Ammann & Whitney, Consulting Engineers, New York City Contractors: MacDonald-Creighton, St. Louis and Nashville • Cables by Roebling

YALE UNIVERSITY'S - DAVID S. INGALLS ICE HOCKEY RINK, NEW HAVEN • Architect: Eero Saarinen and Associates, Bloomfield Hills, Michigan Consulting Engineers: Severud-Elistad-Krueger, New York City • Contractor: George B. H. Macomber, Boston and New Haven • Cables by Roebling



Hockey, Planes, Buses and Inventories... the suspended roof covers them all with unobstructed beauty

The suspended roof beautifully weds aesthetics and practicality. This daring and down-to-earth design and construction technique has literally "spread its wings" over a number of different structures to the dollars and cents benefit of its builders as well as to the delight of its observers.

Terminals, sports arenas and warehouses are currently enjoying the *unimpeded* scope of movement and view afforded by the roof that needs no columns. Material, man and events *move* under the suspended roof with an ease heretofore unknown. Trucks can turn, planes can be serviced and "every seat in the house" is a vantage point under the suspended roof.

Showed here are a few of the examples of what architects and builders are doing with the suspended roof. We at Roebling seriously invite your inquiries on *any* phase of the suspended roof or other types of suspension systems. Our history includes suspension bridges of every description, tramways, guyed towers and ski lifts. Any means of communication to Bridge Division, John A. Roebling's Sons Corporation, Trenton 2, New Jersey, will bring you a wealth of material.

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In Labor

• • •

Over-the-Road Master Contract Sought

By Hoffa As General Strike Weapon

James Riddle Hoffa last week made his first move toward a single "master" contract covering hundreds of thousands of over-the-road truck drivers in the U.S. At a meeting of the Western Conference of Teamsters, Hoffa announced that he was calling a "strategy" conference in Chicago next summer before the expiration of all present long-distance haulage agreements.

The over-the-road drivers are the sinews of Teamsters power. Hoffa realizes this, perhaps more clearly than any one else. His rise to the union presidency came about in part through his efforts to build and strengthen area-wide, over-the-road agreements as stepping stones to a national agreement. Therefore, Hoffa's latest move has alarmed observers who fear that a master contract will give Hoffa what it takes to carry out a general strike. The truckers' chief has pointed out that differing expiration dates on Teamsters contracts prevented his calling a general walkout.

This would no longer be the case for a vital section of the trucking industry if Hoffa succeeds. Present agreements—including three major ones covering the eastern states, the central and southern states, and most of the western states—all expire within 60 days during the summer of 1961. Hoffa plans to coordinate negotiations to achieve bargaining on a national level. His target: Uniform contracts having a common expiration date, common working conditions, and comparable wage rates.

• • •

Which Union Represents Purchased Plant If Buyer Merges Workers Under New Roof?

What happens when a company—under contract with one union—buys a plant from a firm under contract with another? Which union gets the membership in the purchased plant if the buyer should merge his operations under one roof?

A federal court, the Federal Bureau of Investigation, and assorted U.S. marshals this week are trying to find an answer.

Last May, Specialty Steel Products Co. bought the Verona (Pa.) plant of American Steel Foundries Co. Specialty planned to close its existing operation employing about 50 men represented by the Molders & Foundry Workers and transfer them to Verona, where American employed some 175 workers represented by the United Steelworkers. The USW insisted that Specialty take over its contract with American. The company refused and picketing began on June 1.

On June 19, the National Labor Relations Board obtained a temporary injunction. Picketing, however, continued. The court ordered U.S. marshals to the scene to enforce the injunction.

But the marshals didn't succeed. A large crowd of "sympathizers" prevented a caravan of Specialty people from getting into the plant. The marshals withdrew after deciding that they had neither the force nor duty to police so large a crowd.

Picketing has continued. The court deferred a criminal contempt trial until July 27 to give attorneys a chance to appeal and the FBI a chance to investigate the picketing.

• • •

Railroad Insurance Offered to Protect Lines From "Whipsaw" Strike Threats

The railroads are now among the growing number of American industries seeking some form of mutual aid to forestall union "whipsawing" (BW—May 16 '59, p26). Worried lest the railroad brotherhoods play one line off against another by striking one at a time if negotiations should break down in this fall's crucial bargaining, the industry is considering an insurance program to cover losses from work stoppages on individual roads.

Offered by Imperial Insurance Co., Ltd., of Nassau, Bahama Islands, the railroad insurance plan will be effective if subscribed to by carriers representing 65% of the industry's annual gross revenue—about \$9.5-billion in 1958. The initial premium would be equivalent of one day's fixed expenses of the subscribing railroad. In the event of a strike, the maximum premium can go up to the equivalent of 20 days' fixed expenses.

The benefits, however, are fairly attractive to an industry worried about union "whipsaw" tactics. The insurance company, under the railroad plan, would pay an indemnity equivalent to the road's fixed expenses each day up to a maximum of 365 days.

• • •

Union Run Hat Company Pays Dividend

The United Hatters, Cap & Millinery Workers' investment in a nearly defunct hat company paid off handsomely this week with a quarterly dividend of 50¢ a share. The union invested \$435,000 last February (BW—Feb. 14 '59, p86) to prevent the liquidation of the century-old Merrimac Hat Co. in Amesbury, Mass.

Alex Rose, president of the union and a director of the company, also announced that Merrimac, a producer of men's hat bodies, had turned in a profit of \$70,000 since the union took control on Feb. 2, contrasted with a loss of \$144,195 in the year-before period.

• • •

NMU Boss Wants His Pay Boosted

Joseph Curran, burly boss of the National Maritime Union, has put in for a wage hike. He is asking NMU members to vote yes on a referendum starting July 28, which would boost his pay from a straight \$19,000 to \$25,000 a year "net."

Union spokesmen were unclear how this was to be done. But the "intent" was clear enough: Sailor Curran wants to get \$25,000 a year in take-home pay.



TRUCK OWNERS: You have fewer road delays with nylon cord tires.

Whether you operate one truck or fifty, the extra toughness of nylon means money in your pocket. Nylon casings stand up under roughest use, offer many more safe retreads. Many truckers report costs down as much as 50% after they switched to nylon. Next time you buy new tires or new trucks, get the lasting blowout protection of nylon cord tires. They're proved safest. And they give lowest cost per mile.

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BETTER THINGS FOR BETTER LIVING :: THROUGH CHEMISTRY

SEC's Aim: Keep the Boom Honest

Looking back on its first 25 years, Wall Street's chief policeman warns that there is a limit on what it can do.

This week, Edward N. Gadsby (picture) chairman of the Securities and Exchange Commission, marked the 25th anniversary of the agency in a speech at Washington's National Press Club. He brought up the specter of a still earlier event—the 1929 market crash. In effect, Gadsby warned investors that SEC can't keep a crash from happening if the market gets out of line with economic reality. All it can do is see that dishonesty and manipulation do not add to the trouble.

As Gadsby sees it, anyone who wonders whether SEC can prevent "a serious collapse in the market or what the commission can do to avert such a contingency" is probably taking the commission "for something which we are not and expecting accomplishments of us which we cannot perform and were never intended to perform."

- **Clarifying**—The chairman was making clear that there can be a serious price decline, as there was in 1929 when no SEC existed. But he neither predicted a decline nor belittled the role of the agency he heads. Rather, he sought to clarify just what role the SEC can—and does—play in the market.

The 1929 crash had a lot to do with the creation of SEC. The underlying philosophy of the Securities Act of 1933 and the Securities Exchange Act of 1934 was that full disclosure of basic financial facts before a sale of securities—plus prevention of certain practices such as manipulation in the trading of securities—would go a long way to prevent another debacle.

Fundamentally, SEC is a watchdog over the securities market, but it is no more than that. It cannot stop investors from "making fools of themselves" any more than it can successfully predict just where the market is going. The one thing it has done is to help make sure that when stock prices advance or retreat in today's market they do so, as Gadsby puts it, "free of the sinister influences which, in an earlier day, caused distress and tragedy."

- **900 Employees**—To keep the market free of these "sinister influences" the commission has about 900 employees scattered around the country—most are in the World War II temporary building that serves as SEC's Washington headquarters, the rest in the nine regional and eight branch offices around the country.



EDWARD N. GADSBY, chairman of the SEC, is prepared to keep the market free of "sinister influences" but not to prevent investors from "making fools of themselves."

With this staff, the commission polices an industry which last year registered over 1,200 new issues of securities, worth about \$16.6-billion. It tries to watch daily trading volumes that can run as high as 5-million shares worth \$175-million. It is the regulator of 14 national securities exchanges from Spokane, to New Orleans, Chicago and New York.

In recent months, it has put out of business dozens of broker-dealers for violations of the Securities & Exchange Act of 1934; it has suspended trading in the stock of such companies as F. L. Jacobs Co. It has taken on others, such as Crowell-Collier Co., East Boston Co., and even individuals like Louis Wolfson, for varied alleged violations.

It has gone to court to stop sales of penny stocks and other speculative issues on a wide range of fraud charges. It has closed down numerous "boiler room" operators, only to find others

cropping up elsewhere or in slightly different guises.

- **Varying Success**—It is not always successful, by any means. It deals with a very technical field of law, sometimes facing the clever schemes of colorful concocters of financial dodges and, at other times, the foremost corporation legal talent in the country.

But its efforts, SEC officials say, give the public the most protection possible for the money and manpower SEC gets from Congress—and apparently this program meets the needs of today's market. At least, the SEC has been free of the severe attacks for sins of omission and commission that other agencies have suffered.

I. 1959 vs. 1929

One thing Gadsby and his fellow commissioners are sure about—no matter what the market does, the exact pattern of 1929 won't be repeated, because



Dunbar's fine woods come from all corners of the world.
Their insurance comes from Wausau, Wisconsin.

THE CHAIR THAT KEPT A TRADITION ALIVE . . .

Wausau Story

AT BERNE, INDIANA



by

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"It's 40 years since Aloysius Dunbar took time out from his work as a buggy maker to build a leather-covered rocking chair for his wife.

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"Our people inherited a natural feeling for craftsmanship from our Swiss forebears. We've kept the tradition alive and thriving in our community. Or, I should say our community has kept that spirit alive for us. It's like the 'Wausau

Way of Working,' the natural feeling for being helpful and interested that Employers Mutuals' people draw from their community. As an Employers Mutuals' policyholder—especially in workmen's compensation—we have a high regard for that unique way of working. It's helped us maintain award-winning safety records and save money on our insurance costs.

"Our Safety Committee is an example. Employers Mutuals helped us set it up so almost every man in our plant has served at least once. Safety education couldn't be more effective. Then too, Employers Mutuals' Safety Engineers visit us regularly. Specialists come when specialized help is needed. All this proves, in their own field, Employers Mutuals' people are skilled and devoted craftsmen too . . . 'good people to do business with'."

From start to finish, lumber room to shipping dock, Employers Mutuals' men work closely with Dunbar management to prevent accidents, cut insurance costs. Harold Sprunger, Dunbar Vice President (left), confers with Employers Mutuals' Herb Storck . . . using the plant's lumber room as an unexpected setting the way Dunbar does in advertising their furniture.



Hand carving blends the joints of machine-milled chair parts. Handwork like this requires special safety education, cannot rely on the usual standardized rules or mechanical guards.



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In the Chippewa Indian tongue Wausau, (Wah'-saw) meant "far-away-place." But today Wausau is as close as your telephone. There are Employers Mutuals of Wausau offices in 109 cities throughout the United States and personal service is never more than a few hours away. We write all forms of fire, group and casualty insurance (including automobile) and are one of the largest writers of workmen's compensation. Consult your telephone directory for your nearest Wausau Man or write us in Wausau, Wisconsin.

Employers Mutuals of Wausau



"Good people to do
business with"

"...the overriding question is how and where the limited staff and budget can most effectively be employed . . ."

STORY on page 101

so many things that were true then aren't true now. Among them Gadsby lists:

Industry self-regulation. While some of the discipline in the securities industry has been imposed by law, a great deal of it is self-imposed. The exchanges' own regulations and the activities of the National Assn. of Securities Dealers help prevent practices which were among the underlying weaknesses of the pre-SEC market.

Margin requirements. The machinery for creating stock market credit is subject to strict regulation today. Where in 1929 brokers' loans reached a peak of \$8.5-billion in October, brokers' loans today—in a far larger market—run about \$3-billion. Hence, to a large extent, speculation must be financed by cash rather than by credit.

Disclosure requirements. The primary purpose of the Securities Act of 1933 is to put the facts about a new issue of securities before both the seller and the buyer so they can know what they are doing. Of course, overcapitalization, watered stock, abuses of corporate powers, practically "all the sins in the corporate decalogue" can still be committed if the sinner is willing to stand up and publicly announce he is about to commit them. But, says Gadsby, "Few sinners are willing to do so and the necessity for disclosure normally prevents the abuse."

Adequate financial accounting. The requirements of the Securities Acts that adequate financial statements be certified by independent public accountants has revolutionized business accounting and reporting. Auditing of financial statements has changed a great deal since the days when, despite an annual audit by reputable accountants, officials of a company could milk millions of dollars out of a company and grossly overstate assets and profits.

SEC's own powers to act against violations. The formal requirements enacted into law and SEC regulations give the federal government a control that never before existed.

II. Where to Police?

All this is not to indicate that everything is sweetness and light. Gadsby and his fellow commissioners and the over-worked SEC staff know full well that their problems and difficulties are on the increase as a direct result of the booming stock market.

The overriding question inside the commission today is how and where the limited staff and budget can most effec-

tively be employed to exert the most telling influence on the affairs of the securities industry.

A limited staff and budget are not new problems for the commission. Actually, between 1941 and 1955 personnel steadily declined in numbers. Some critics also say that since the glamorous, early days, when the important first steps were taken and the major battles over legislation were won, the quality of personnel has declined.

• **Personnel Troubles**—Certainly, the commission has had a difficult time in the postwar period in attracting and keeping topnotch staffers. Although commissioners' terms are for five years, since 1953, the commission has had three chairmen, including Gadsby. And from a peak of 1,700 employees in 1941, the commission declined to 700 in 1955. Since then, it has been a slow, hard road back.

Last fiscal year, the commission carried out all its activities with about 916 employees and a budget of \$7.7-million. For the current fiscal year, it has asked to go over the 1,000 mark and for an \$8.2-million budget. So far, Congress has not agreed whether to go along with this.

There is little question inside the commission that it is now, and has been for several years past, understaffed to do all it should do to keep on top of the present boom market.

One of the problems is in processing the avalanche of registration statements filed by issuers of new securities. In the year ending June 30, 1958, a record high of 913 registration statements were filed with SEC, representing securities with a total face value of \$16.9-billion.

• **Record Likely**—Final figures are not yet in, but the commission estimates it ran well ahead of this record pace in the fiscal year that just ended last June 30. Examination of these statements to see that disclosure and other requirements are being complied with requires much of the time of the Washington staff.

The commission has used liberally its power to suspend or stop sale of securities until registration statements are correctly amended. This is one weapon the commission has to prevent sale of securities under circumstances likely to involve fraud on investors.

III. Boiler Rooms

Another problem area involves the tracking down of so-called "boiler room" operators, who use long distance telephones and high pressure methods

to sell speculative securities, often using fraudulent representations in the process. The larger boiler rooms apparently have been brought under control by SEC enforcement, but they have been replaced by small roving operators who sell one or two spurious issues and then disappear.

Manipulation problems are on the increase, too. The commission has used a jawbone campaign of speeches and press releases against what it calls "indications of increased manipulative activity." And it is putting more and more emphasis on detecting and preventing manipulation than in previous years.

The SEC did take quick action in the highly publicized, but not too significant, case of Louis Wolfson's dealings and statements in American Motors stock. But few manipulation cases—on the public record at least—have been turned up by SEC's preliminary investigation of recent unusual price variations or market activity.

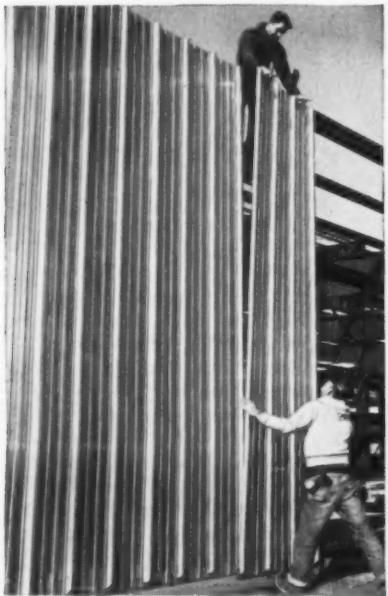
• **1946 Break**—Gadsby this week recalled that the SEC's careful investigation of the market break of Sept. 3, 1946, turned up no evidence of any sort of manipulative activity in that day's market. This day marked the sharpest decline in prices on the New York Stock Exchange in nine years, and was the last occasion providing enough data for a serious study of market breaks. SEC found no evidence at the time that over-all market activity resulted from planned or concerted action by any group or groups of persons.

The growing number of broker-dealers registered with SEC creates another policing burden of major proportions. The number has been growing at a rate of about 200 new broker-dealers a year and SEC expects this to continue, estimating there will be over 5,000 at the end of this fiscal year.

Many of the newcomers are inexperienced, and pose an additional risk to investors. As a result, SEC is making more broker-dealer inspections than ever before, checking on compliance with requirements. Almost every day, the commission either begins or closes a proceeding to take some kind of disciplinary action against a broker-dealer—either to revoke registration or to suspend from membership in the National Assn. of Securities Dealers.

• **Apparent Evasions**—The commission is wrestling with complicated problems in other areas. One involves the apparent evasion of registration requirements under Rule 133. Rule 133 says, generally, that issues of securities in connection with certain types of corporate mergers, consolidations, reclassifications of securities, and acquisitions are not a "sale" of securities to stockholders of corporations involved in the transactions. The rule has the effect of exempting such issues of securities from

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"...the SEC is asking for powers to determine if an investment adviser is mishandling funds..."

STORY on page 101

the registration requirements of the law.

Because many recent transactions ostensibly covered by the rule have been, in fact, in violation of the registration requirements, the commission is trying to rephrase and simplify Rule 133. So far, it has had no success.

A new problem is the growing impact of the mutual funds on the stock market. The commission has retained the Wharton School of Commerce of the University of Pennsylvania to look into the funds' new power and their effect on the securities markets, with an eye toward possible new regulations.

IV. The Arvida Case

By the very nature of its policing job, the commission frequently comes under attack for acting either too hastily or not soon enough.

For example, last year the commission went after the underwriters of a proposed issue of Arvida Corp. stock for violating the Securities Act "gun-jumping" provisions. SEC charged that two broker-dealers, Carl M. Loeb, Rhoades & Co. and Dominick & Dominick, offered to sell Arvida shares when no registration statement had been filed with SEC by releasing details of the proposed plan in a press release and press conference.

The commission was roundly criticized for the move. It stuck to its guns, however, to the extent that it re-emphasized its determination that in some circumstances, press releases can influence investment decisions and reduce the registration requirements to mere "legal formality having small practical significance in the marketing of new issues."

Since no investors were injured by the violation found in the Arvida case, SEC did not take any punitive action against either of the broker-dealers involved.

• **Charge of Tardiness**—On the other hand, the commission has come in for even more telling criticism for its delay in acting to compel filing of required reports by Bernard Goldfine's East Boston Corp.

Commission staffers readily admit they have acted tardily in some late filing cases like this. They put it down to the press of other business. Also, prosecution for late filings is difficult; few juries and judges get very excited about prosecuting for a late filing when the company comes in with the documents after it has been indicted. But the staff is trying to put more teeth

into the law requiring prompt filing.

A bundle of technical amendments—changing over 80 sections of the various laws SEC enforces—are now undergoing Congressional examination. Proposed by SEC, none of them are really revolutionary and few are even very controversial.

By and large, the amendments would tie up loose ends in the law, clarify some areas and strengthen others.

V. Legislation Asked

They range in scope all the way from one to remove an obsolete reference in the Securities Act to the Federal Trade Commission—FTC administered the 1933 act until July, 1934—to rather extensive amendment of the Investment Advisers Act of 1940. This law never has worked very well, since it gives SEC no real enforcement or investigating powers.

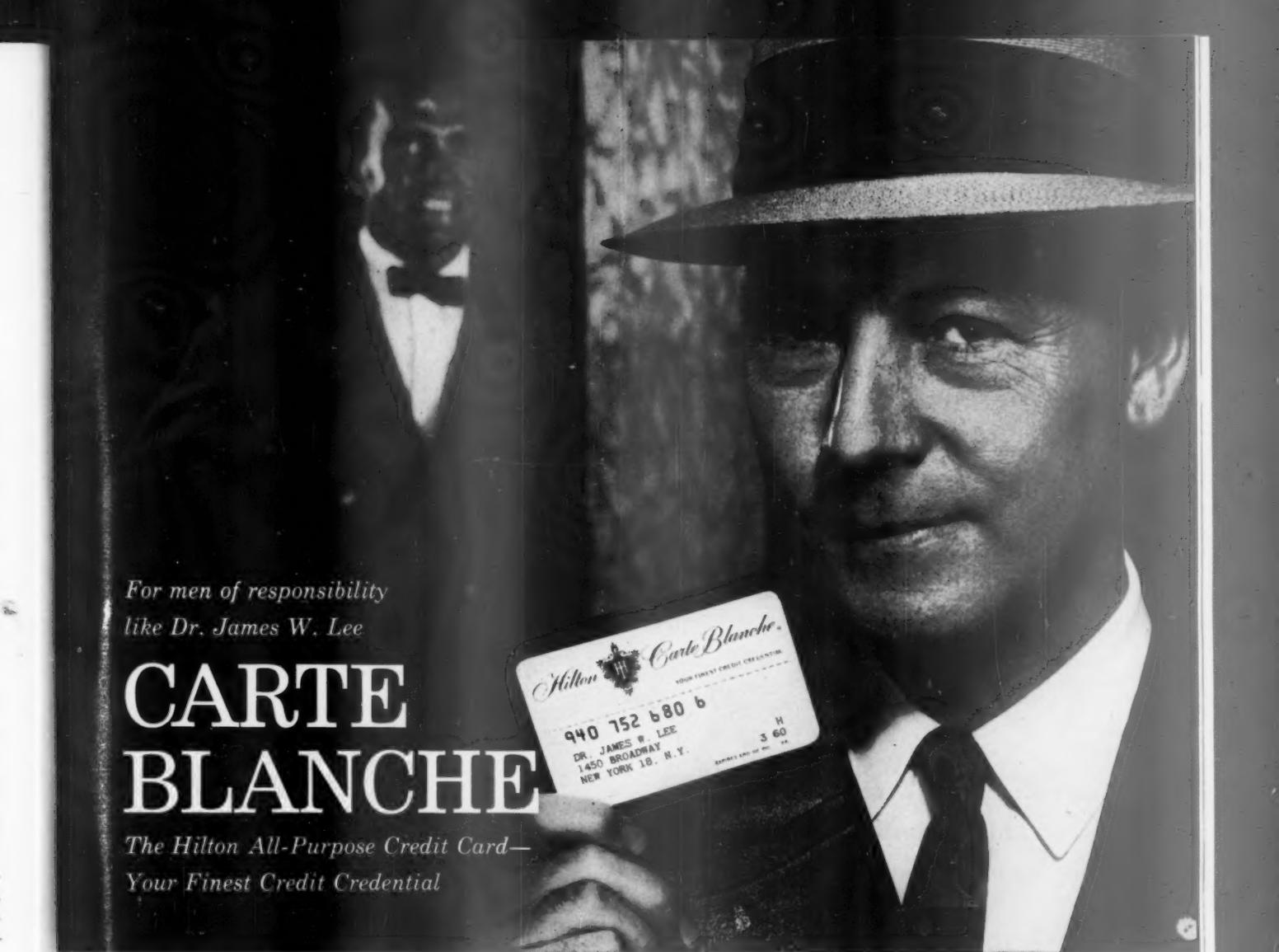
The SEC is asking for amendments to give it powers to determine whether any investment adviser is mishandling his customers' funds or securities; make the anti-fraud provisions apply to non-registered investment advisers; and generally set up a tougher regulatory hand on activities of investment advisers.

• **Industry Objections**—At least two of the SEC proposals have drawn industry fire. One would broaden the coverage of the existing \$100-a-day penalty on companies that fail to file on time certain reports under the 1934 act. Partly as a result of the Bernard Goldfine difficulties, SEC wants Congress to apply the \$100 penalty to all reports and filings under the act and to allow collection of any additional criminal penalties.

The law now bars use of criminal sanctions if the \$100 penalty is collected. Spokesmen for the major exchanges think SEC should use either the \$100 civil penalty or criminal sanctions, but not both.

• **Alleghany Corp.**—The commission's request to change the present exemption in the Investment Company Act for companies subject to regulation by the Interstate Commerce Commission has also been criticized—by the main target of the proposal, Alleghany Corp. SEC wants to get back jurisdiction of Alleghany, on grounds that despite its railroad holdings, it is primarily engaged in the business of investing and trading in securities. Alleghany argues, however, that "it is ridiculous for us to be regulated by two commissions."

Alleghany won a court battle in 1954 against a move by SEC to regulate it as an investment company. So Congress will not act on this proposal until and unless SEC and ICC can work out some kind of language to prevent dual regulation of companies like Alleghany. END



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In the Markets

Stock Market Strong as Steel Strike Starts; Several Factors Help

Wall Street took the start of the steel strike this week in stride. Although the stock market caught its breath after its sharp run-up to 660 as measured by the Dow-Jones industrial average, there was no sign that investors were worried. The majority of stock prices tended to back and fill, although some groups, including steels, showed strength.

Brokers were convinced that the market would continue its climb after a momentary pause. They pointed to a number of favorable factors for stock prices: The steep climb in employment since February has seldom been matched; the steel strike could be a lengthy one, with increased steel prices as an end result, and industrial production in June hit a new peak.

As most Wall Street men see it, the demand for stocks remains strong. The size of common stock holdings in personal trusts managed by banks shows the new-found respectability of—and desire for—equities (page 34). Brokers feel this demand will propel share prices to even higher levels.

Canadian Gold Mining Company Drops Option to Ventures, Ltd., Shares

McIntyre Porcupine Mines, Ltd., big Canadian gold mining and holding company, revealed this week that it had dropped its option on 250,000 shares of Ventures, Ltd., which was a big speculative favorite in the 1955-56 boom (BW—Oct. 8 '55, p68).

J. D. Barrington, president of both Ventures and McIntyre, explained that "by taking the option, we'd just be diluting our own equity." The options are priced at \$35 a share. McIntyre already has 400,000 Ventures shares, which gives it "effective control" of the company.

Barrington flatly denied rumors that McIntyre's refusal to exercise its option resulted from a behind-the-scene purchase of 125,000 shares—for less than the current \$30 per share market price—from Thayer Lindsley, who controlled Ventures up to 1955.

New Move in Senate to Prevent Fanny Mae Mortgage-Bond Swap

The Senate Banking Committee passed a resolution last week opposing the proposal by the Federal National Mortgage Assn. (Fanny Mae) to swap up to a billion dollars worth of mortgages for government bonds.

Under the plan, 4% mortgages held by Fanny Mae, and possibly other FNMA holdings, would have been offered on an exchange basis to holders of 2½% government bonds.

These 2½s, due in 1980 but callable in 1975, are non-marketable, and can be exchanged now only for 1½% marketable five-year notes—which are presently selling at a substantial discount from par. Some \$8-billion of the 2½s—which the banks accepted as part of the 1951 "accord" in exchange for wartime 2½s, to take the pressure off the bond market—are still outstanding.

The swap was proposed by the Treasury, which seeks to extinguish part of its outstanding debt. But its critics contend that the exchange would mean additional interest costs to the government. At least, say these critics, the Treasury would have to pay \$6-million on the swap of \$1-billion. Opponents also add that the proposal amounts to "gimmick" financing to accommodate the Treasury and help balance the budget.

The Treasury argues, however, that the swap would actually cost less in the long run because the mortgages, with an average maturity of about 30 years, would be exchanged for bonds that would mature in about five years. Refinancing of these bonds, it holds, is likely to be much more expensive.

Webcor's Haffa Pays Premium Price

To Buy Back Stock Sold to Emerson

Emerson Radio & Phonograph Corp. and Webcor, Inc., parted "good friends" this week—but not until Titus Haffa, Webcor chairman, had repurchased "at a premium" 130,000 shares of Webcor stock from Emerson.

In May, Benjamin Abrams, Emerson president, who has long been anxious to take Chicago-based Webcor (assets: \$15.5-million) into his fold, bought 130,000 shares—about 20% of Webcor's common—from Haffa and his family. But the deal ran into trouble when Abrams filed for court permission to look at Webcor's books (BW—Jun. 27 '59, p110), to check certain alleged transactions between Webcor and Haffa.

Now Haffa, a Chicago politician turned businessman, has bought the stock back at an admittedly heavy loss. Haffa says the repurchase price was roughly \$22 a share, or some \$2.7-million; legal expenses cost \$100,000.

The Markets Briefs

Bache & Co. this week added its voice to the rising chorus of warnings on the dangers of speculation in electronics shares (BW—May 23 '59, p157). The big brokerage notes that defense expenditures seem to have reached a peak for the present, and that cutbacks in some programs—and speedups in others—are likely. The firm says this introduces considerable uncertainty into the electronics picture in the near future, advises a cautious approach.

Savings and loan holding companies, which have been kicking up a fuss in Congress (BW—Jun. 27 '59, p112), apparently have plenty of attraction for investors. A secondary offering—of 3-million shares at \$17.50 a share—of First Charter Financial Corp., one of the larger S&L holding companies with six S&L operating units, came to market this week and went "out the window" at once.



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PERSONAL BUSINESS

BUSINESS WEEK
JULY 18, 1959



Has summer heat—and maybe a crowded country club—got you thinking seriously about building a swimming pool?

Actually, this is much more than just a money decision. If you follow the trend and build a private pool you could be letting yourself in for some added domestic—and social—burdens that you may not be prepared for.

In this realm, there is some "old hand" advice worth knowing about.

First, though, on the purely practical side, there are several types of pools to consider. The "gunite" pool (concrete is pneumatically applied, without concrete forms) accounts for over 50% of all installations. The method can be used in any climate, and may be comparatively cheap in such places as California, where gunite equipment is widely used. Added advantage is that pool shapes can be rounded easily.

The standard poured-concrete pool (using rigid wooden forms) is the type favored by many top architects and builders—this is the old, tested method. Some companies have developed permanent pour-forms, straight and curved, which are moved from job to job, thus cutting cost and adding design flexibility. Today, nearly 90% of all private pools are concrete, either gunite or poured.

Other types are vinyl liner (with claims of greater economy), steel (quite good, but expensive), aluminum (limited in distribution), and fiber glass.

Pool size, obviously, depends on space and use. A 15-ft. by 30-ft. pool is considered minimum full-size; 20 ft. by 40 ft. is average; and 25 ft. by 50 ft. to 60 ft. will put you in the luxury class. Shape can be varied, of course. Even some of the "package" pools come in attractive, odd forms.

The money you spend is pretty much your decision. Cost varies greatly. Generally, though, you can figure that a 25-ft. by 50-ft. concrete pool will run from \$6,000 to \$10,000. This includes such accessories as filter equipment, diving board, and surrounding poolside walks—but it doesn't include such special features as pool heaters, pool covers, mechanical chlorinators, or waterside cabanas.

All in all, say the experts, you can figure that the "extras" (unless you hold the budget line tight) are apt to add up to about as much as the cost of the pool itself—this means such items as dressing rooms, snack bars, barbecues, game rooms, and effective landscaping.

Pool maintenance—and here begin the problems—can be quite a headache. Certain jobs are a must: every second day, chemical treatment (\$20 or \$25 a month) and leaf skimming; twice weekly, sweeping of pool floor; weekly, vacuuming pool and cleaning filter. In most cities you can hire a pool service company for about \$50 a month. Then there's off-season care. A painted pool likely will need refinishing (\$100-\$200) every year to be in top shape. Closing down a pool, and re-opening in the spring, is a chore that takes skill (\$75 or \$100 if you hire an expert).

The social side of pool ownership may be even more demanding. First, there's the safety problem. You're bound by a strict rule of legal responsibility in relation to guests, especially children (BW—Jun.20'59,p183). You may even be accountable for injury to youngsters even though they are trespassers—not to mention your obligation to family and friends.

Fencing, pool covers, and accident warning devices are all practical, 109

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
JULY 18, 1959

but for child safety, ample adult supervision is the only answer. This job, say old hands, can't be shrugged off as one that will "work out" somehow.

Large families with small fry have discovered the hard way that some kind of regular, planned, swim schedule is needed—with supervision. And often the job can't prudently be assigned to teenagers or domestics.

Some families with several children of their own—and innumerable neighbor kids—find it practical to set aside certain hours of the day, or certain days of the week, for various age groups.

Children aren't the only problem. Uninvited "drop-ins" of all ages can disrupt your summer weekends. Entertaining becomes a ritual—cooking "outside," serving, pouring drinks—even providing suits and towels.

Only solution, some weary pool owners believe, is a reasonable social policy, firmly adhered to—and made clear to all comers. Some families have two or three "open" weekdays, with weekends for family and special guests only; others have a strict "phone before you come" rule.

—•—

If you've toyed with the idea of investing in real estate, especially small apartment units, you may want to read the new best-seller, *How I Turned \$1,000 Into a Million in Real Estate—In My Spare Time*, by William Nickerson (Simon & Schuster, \$4.95).

The book does two things. First, it paints a glowing picture of your chances for success in the field; for example, the author claims that the average man with average luck can count on a 400-to-1 chance for success. The book reduces the principles of realty investment to four basic rules: (1) Borrow all you can; (2) buy properties that need improvement; (3) make selective improvements that enhance value; and (4) sell at a profit for long-term capital gain, then reinvest.

The second lesson you can learn from the book is that, despite the author's experiences, the average businessman probably would have to work around the clock to learn all the required details and points of real estate gamesmanship—such things as screening tenants, getting rid of dead-beats, writing tight leases, raising rents, checking land titles, writing ads.

—•—

Business executives who will be aboard the new 32,336-ton *Bremen* (North German Lloyd Line) on its maiden voyage eastbound from New York next week—or will be on future sailings—will find at their disposal a well-equipped office (including dictating machines) and the services of multilingual secretaries. For ship-to-shore communications, all first-class cabins on the liner have telephones.

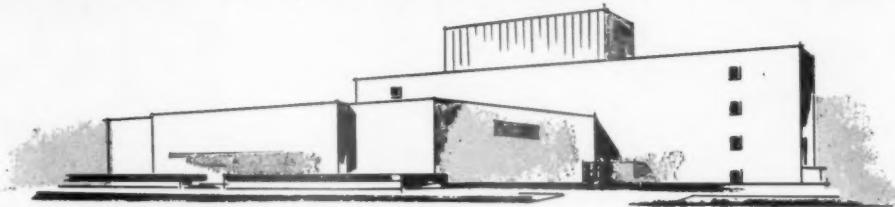
For those who want to forget corporate matters and just relax, the *Bremen*'s seagoing spa offers both mineral and Finnish baths, and hydro-therapeutic treatments. Travel time: six days from New York to Cherbourg and Southampton, seven days to Bremerhaven.

—•—

If you still haven't got the message—and keep putting off having polio shots, bear this in mind: The U. S. Public Health service has just reported a 50% rise in paralytic cases so far this year compared with the same period in 1958. Note: The National Foundation has announced it will establish a body of scientists to follow research on live-virus vaccines, described as "showing great promise." (BW—Jul. 4'59, p90).

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Seasoning B-Schools With a Dash

Graduates of collegiate schools of business who knock on personnel doors a few years hence are likely to be a different breed from the class of '59. In many ways, they will resemble more closely the liberal arts man. Their new look will evolve out of radical changes now taking place within the nation's B-schools.

There are about 100 full-fledged schools of business in U. S. universities, according to the American Assn. of Collegiate Schools of Business. Beyond that, there are more than 200 other institutions offering a commerce major.

Nearly all these schools are in the grip of changing times. Curriculums are being revised. Old courses are being dropped, new ones are being added. New teaching methods are being introduced. Basic philosophies are being thrown out. And everywhere the emphasis is switching from concentration on subjects pertaining strictly to business to studies of a definitely broader interest.

• **Cause and Effect**—Here are a few examples of what is going on:

- Two studies of collegiate business schools will be released this fall.

One, by R. A. Gordon, professor of economics at the University of California, was done through a grant from the Ford Foundation. The other, by Frank Pierson, professor of economics at Swarthmore College, was financed by Carnegie Corp.

• Next month, 35 top faculty members from B-schools will meet at the University of Denver for a four-week seminar on new developments in business education.

• This fall, Columbia University's Graduate School of Business will inaugurate a revised curriculum designed to give the student a broader, more general base.

• Northwestern University and the University of Pennsylvania's Wharton School of Finance & Commerce expect to make changes as extensive as Columbia's by the 1960-61 academic year.

Business schools, of course, have important functions apart from training future businessmen. They do research that can benefit the business community in general, and they hold seminars and brush-up courses for established executives. But both the research and follow-up functions are secondary, and stem from the general educational approach.

Regardless of the approach, these schools are all moving in the same general direction. That is away from a specialized education channeled into personnel administration or finance or marketing or industrial production toward what John H. Goff, acting dean of Emory University's School of Business Administration calls "training for the management level, where they have to know about all these things."

I. The General Goal

This has long been the aim of Harvard's University's Graduate School of Business Administration, although Harvard still stresses the traditional basic courses such as marketing, finance, and production. The new courses cropping up in B-schools may come down hard on some aspects of management—such as human relations—in which Harvard pioneered, but they often cross swords with Harvard over the style of teaching these courses.

• **Case Method**—Harvard leans heavily on the case method, under which students discuss fairly specific business problems without being given general rules for their solutions. The process



Dean W. Allen Wallis

Graduate School of Business, University of Chicago

"Universities should teach the fields of business practice in a broad, analytical framework."



Dean George E. Manners

Georgia State College of Business Administration

"Our mission is to create business leaders for our region, and specialization still plays a very important role."



Dean Willis J. Winn

Wharton School of Finance & Commerce, University of Pennsylvania

"Today almost any student of ability can get a job, so we are putting more emphasis on a more broadly based education."

of Liberal Arts

s, as one Harvard professor puts it, "application of principles without enunciation." Harvard B-school students kid the system in this bit of doggerel:

*Academically, it's hard to say.
We came to class and we went away.
With principles none and decisions
few,
Always confused about what was
true.*

Other schools are more seriously critical of the case method. The University of Chicago aims verbal darts at training that emphasizes "the techniques of current practice." Chicago's curriculum, often considered the most impressive of the new looks, is heavy on theory. Other schools split between case and theory, usually taking the line that a foundation of the "rules" of business must precede case work to make it meaningful. Dean Austin Grinshaw of University of Washington's college of business administration makes the distinction this way: Case work is for "professional training," but traditional "scholastic training" is also vital.

Harvard, for its part, objects to the

way the new curriculums tend to lump new knowledge involving, say, probability analysis, into a separate course. These new disciplines provide only "partial answers," says Harvard, and thus are more profitable if salted into existing functional courses. Thus, HBS includes probability analysis in marketing, production, and administrative control courses. Basically, of course, Harvard endorses a broader subject matter base for business education.

To date, this "broadening" has been most evident at the graduate level, but the concept is filtering down to the two-year and four-year undergraduate schools that attract approximately 90% of all business majors.

• **A Science**—To some extent, this flight from specifics stems from a general feeling that a course in, say, Analysis of Railroad Securities just doesn't have the academic standing or background for university credit. "We treat business as a science," says Neil H. Jacoby, dean of UCLA's School of Business Administration. "The art is learned in practice."

Another argument against setups that allow the student to concentrate heavily on one area of business is that the

student in all probability doesn't know at the age of 20 what he will want to be doing some decades later.

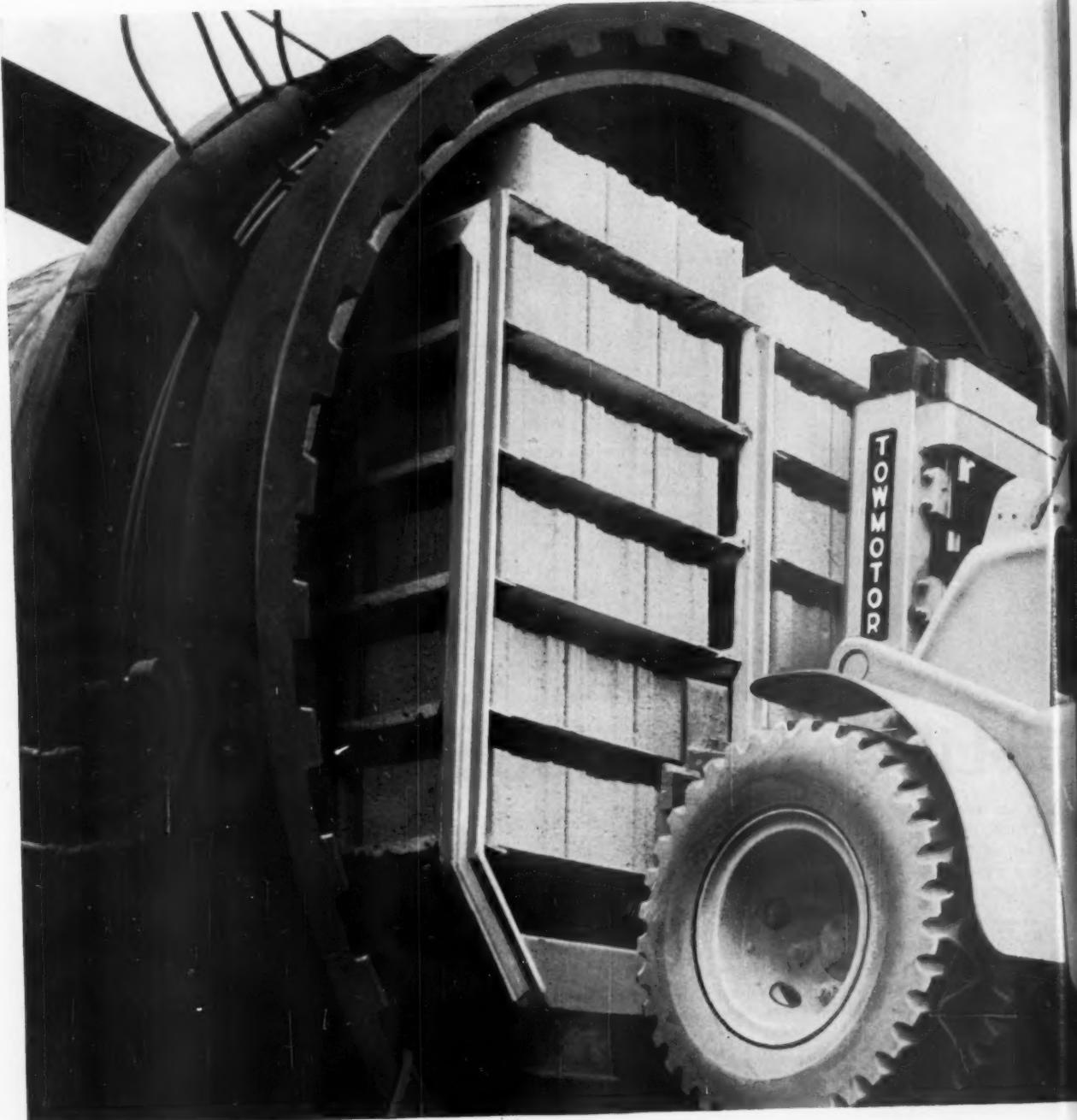
II. Changing Times

But the most persuasive reason for curtailing the time spent on specifics is the rapidly changing business world itself.

"I went back and read some of the detailed textbooks in specialized areas of business from 25 years ago," says G. L. Bach, dean of Carnegie Institute of Technology's Graduate School of Industrial Administration. "They provided some amazing reading. I suggest the same experiment to any advocate of specialization. See how much of what a man would learn in his fourth or even fifth course, in, say, insurance, is still useful to him today."

W. Allen Wallis, dean of the Graduate School of Business at the University of Chicago, remembers that "in 1914 automobiles were rare, airplanes were virtually unknown . . . the government debt was unimportant, and labor unions were negligible."

• **Tomorrow's Problems**—Accepting even a constant rate of change, these



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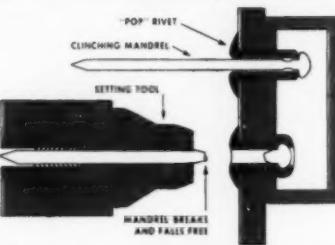
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deans ask: What will the businessman of tomorrow need to know? Bach guesses that the manager "will become increasingly a coordinator of diverse interests and 'pulls' . . . as distinct from being the 'boss,'" and that he "will increasingly use fairly elaborately analytical approaches such as mathematical programming."

Dean George E. Manners of Georgia State College of Business Administration advocates the theory that computing machines will take over so much of management's work that in the future there will be only a small group of top administrators and a large body of submanagers, with no middle management men (BW—Nov. 15 '58, p52).

• Fewer Electives—But most schools hedge on predictions, and stick with the theory that their purpose is to teach those basic concepts, relationships, and approaches that will stand the student in good stead in almost any situation.

At some schools, this means that the student has fewer electives than ever before. Washington University has cut back on students' free choice of subjects "to force them into a broader education." The University of Minnesota now requires business majors to take about one-fourth of their courses in other fields.

Some schools, including Emory, Marquette, and the University of Michigan, have gone so far as to eliminate all undergraduate majors in their business schools, instead allow only a few courses in one "field specialty." This is the undergraduate approach both Piereson and Gordon advocate in their reports.

Some schools are simply offering fewer courses. The University of Texas last year eliminated 36% of its business school courses. Northwestern cut back drastically in many fields, now offers only one course each in insurance and retailing, three in advertising. But even those three advertising courses deal mainly with "theory and policy"; specialized courses in copywriting, layout, and the like have been axed. At other schools, like Wharton and City College of New York, combining, condensing, and eliminating courses is an essential part of an under-way re-evaluation program.

The next step is a logical one: fewer fields of specialization. Says Gordon of the University of California: "The number should be reduced substantially. In general, five or six fields would cover most needs, to which might be added one or two others in which a school's faculty was particularly strong."

III. Rounded Curriculum

The new look in B-schools isn't entirely the result of chopping. Just as vital are the addition of new courses

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and the introduction of new kinds of training in the business school faculty. Stanford University's Graduate School of Business, for example, has added a psychologist who specializes in social communication, and a professor of mechanical engineering. Harvard B-school has a chair in human relations, teaches advanced mathematics, and this year entertains a visiting professor of social psychology. New York University's Graduate School of Business Administration faculty includes two psychologists.

The University of Chicago's business school includes professors in applied mathematics and social science. Massachusetts Institute of Technology's seven-year-old School of Industrial Management even offers courses in industrial history and the effect of innovation.

Cornell University, with an eye to the growing role of government in business requires courses in Governmental Process and Private Enterprise & Public Policy for its MBA candidates. Stanford is planning courses in effective communications and use of visual presentations.

• **Two Fields**—Generally speaking, the new fields divide into two general areas—mathematics and social sciences. The former is planned to give the businessman of tomorrow a grasp of the new tools—operations research computers—based on math.

The emphasis on social science—in line with increased industrial use of psychologists and sociologists (BW-Mar.21'59,p95)—comes about because, as Wharton Dean Willis J. Winn says, "We live in a business society, but we've been emphasizing business at the expense of society. Now we're bringing society back into the picture."

Northwestern is switching from an emphasis on the corporation merely as a system for making and selling goods and services to a view that also emphasizes analyses of the interrelations between the corporation, the individual, and society.

IV. Columbia's Program

A good example of these forces—cutting, shifting, and adding—is the program that Columbia will introduce next September.

The entire two-year course is divided into four parts, only one of which concentrates on functions such as finance, marketing, industrial relations. The student will take 15 credits (one-quarter of his total) in one of these subjects. If his major is accounting, he will take an extra semester to pick up all the courses needed for the certified public accountant exam.

The big changes are in the other three areas:

• The environment in which a company operates. This will cover the



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technical; economic, cultural, and human backgrounds in which the company does business. It includes courses with titles like World Resources, Business Foundations, and Business in a Dynamic Economy.

• The quantitative tools of management—accounting, statistics, linear programming, operations research. These courses consider how the manager might use these tools, not how the specialist might originate them.

• The management processes, where the spotlight is turned away from a departmentalized approach to aspects common to all managers' jobs—decision making, human relations, "the role of the manager as an integrator."

Many of these courses are new, developed by Columbia faculty members under Ford Foundation grants. Many of the texts have been written specifically for this program. Most are quite different from the old basic courses.

World resources, for instance, will get into questions of technology and human resources that the old world-material-oriented Economic Geography didn't touch.

All this work will be pulled together in the last semester in a "capstone course" entitled Policy Determination and Operations where—through a combination of business games (BW-May 4 '57, p164) and extended cases—the faculty hopes the student will coordinate his functional specialties and assorted hard-core courses.

• Other Side—Not all schools will follow the Columbia formula. For one thing, Columbia admits that it is looking 20 years ahead, that it is purposely sacrificing skills for the first few years of employment for what it hopes will be long-run benefits. Many schools—especially those financed by state or city funds—feel they can't yet afford that luxury.

"Our mission is to create business leaders for our region, and specialization still plays a very important role," says Dean George E. Manners of Georgia State College of Business Administration.

Anyway, says University of Michigan's B-school dean, Russell Stevenson, "many of the new courses being offered are just the same old thing cloaked under a new name."

Few deans feel that this disagreement is a bad thing. Russell H. Hassler, associate dean at Harvard B-school, says, "It would be a shame if all schools did exactly as we do." His colleague, Howard Raiffa, adds, "There should be schools that specialize in different things."

But all the schools are aiming at the same ideal graduate: a businessman who, according to one dean, "thinks like a man of action, and acts like a man of thought." END

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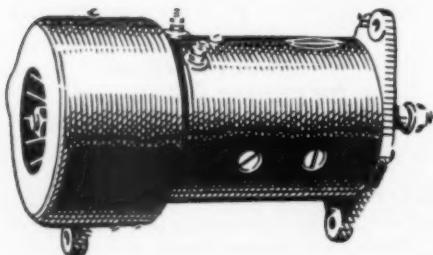
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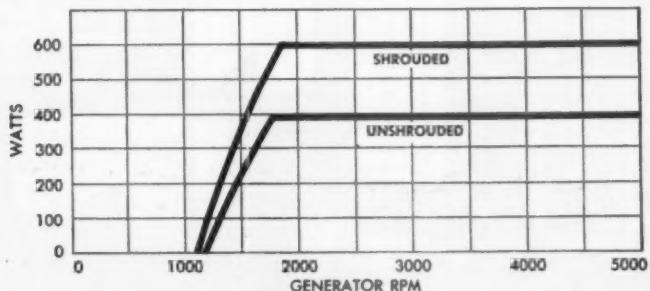
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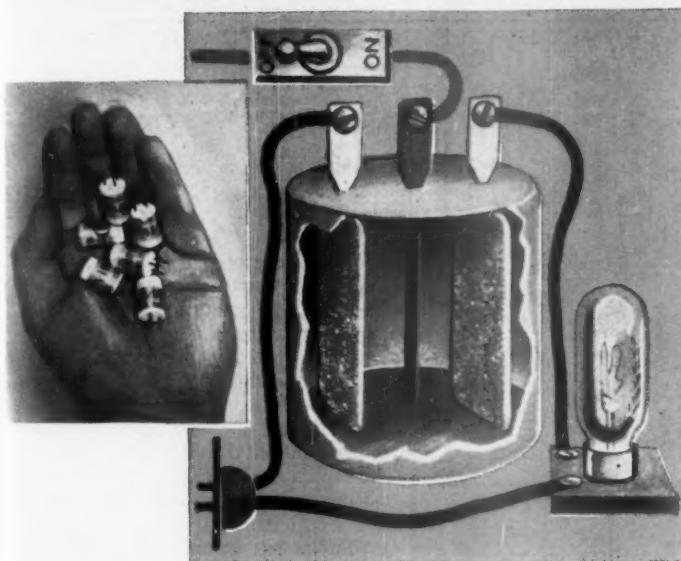
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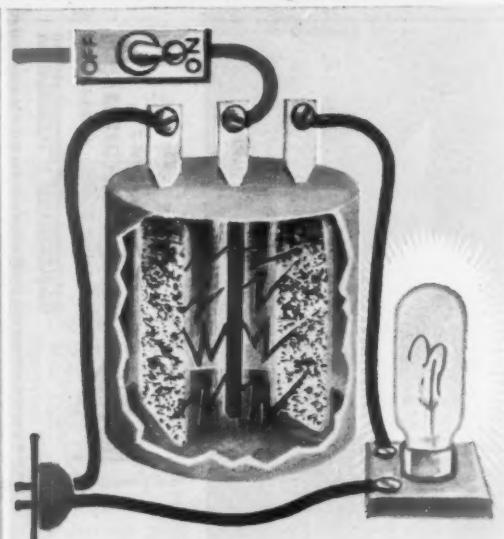
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CHEMICAL SWITCH IS OFF when there is no charge on platinum electrode, central element shown in black above. All three elements are immersed in salt solution that conducts electricity.



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Chemical Cell Acts as a Switch

Pushbuttons have become the symbol of the age of automation in home, office, and factory. But it is the electrical relay—a remote-controlled switching device—that really deserves the title. Relays, which use a small current to control a big one, are used literally by the billions. They are so vital to the proper working of electrical devices that there is a pressing demand for super-reliable models that will never break down or wear out.

This month, Ovitron Corp., a new Detroit company, unveiled an entirely new type of relay that has no moving parts and shows no wear after long service. The new relay (diagram) is an electrochemical switch—quite different from any of the devices now in use for controlling electricity. It looks like an important addition to the pushbutton era.

Job of Relay—A pushbutton is no more than a low-voltage mechanical switch. Behind every important pushbutton is one or more relays. It's the relay, not the button, that switches the powerful currents to start and stop elevator and washing machine motors. Relays put big machine tools through their paces, send off missiles on their flight downrange, and—by the hundreds of thousands—interconnect the voice circuits of telephone networks.

Most relays are of the electromechanical type—a small current energizes

an electromagnet that moves a small lever that opens or closes electrical contacts to turn a bigger current off or on. In the search for greater reliability, electromechanical relays have been developed that operate millions of times without fail. But to many electrical engineers, the final solution for utmost reliability is to get rid of all moving parts, so that there is nothing to wear out.

- **Static Relays**—Ovitron's electromechanical relay joins a growing family of these static relays—devices that use no mechanical contacts. Although the contactless relay or switch sounds like a contradiction in terms, there are quite a few types; some are familiar to almost everyone:

- Ordinary vacuum tubes can be used as low-power switches—for direct current. But engineers don't consider the vacuum tube a true static device, because it has a hot filament of limited life.

- Magnetic amplifiers, in which a small control current in a coil around an iron core affects the magnetic properties of the core so as to permit or block the passage of alternating current in a second coil. These have enjoyed considerable success, though they tend to be heavy and expensive.

- Switching transistors, in which a tiny tickle of control current injected into the specially prepared sandwich of

germanium or other semiconducting material changes the device from a non-conductor to a conductor. These have found wide use in low current applications, but they can't handle high power.

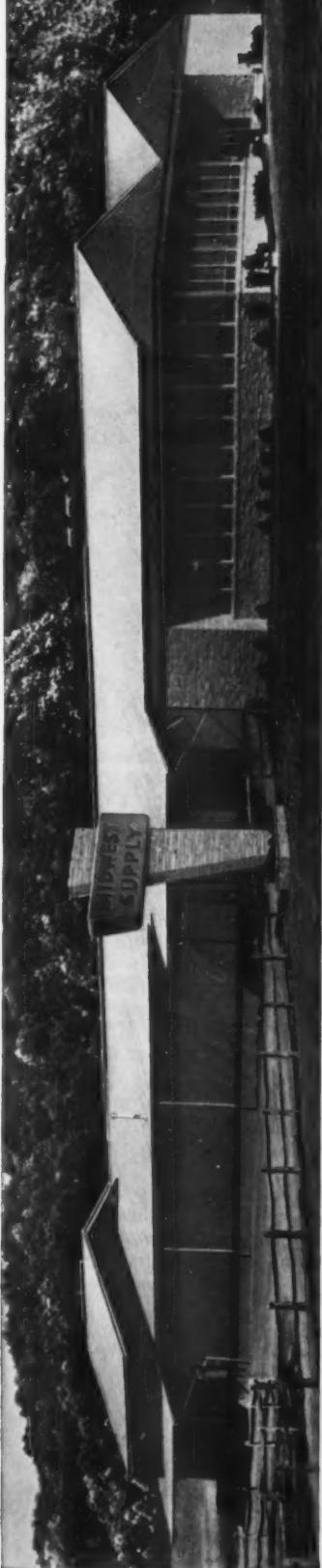
- The silicon controlled rectifier will handle high current but is limited to direct current applications.

So earlier static relays have at best met only a few of the demands of the market. The new chemical relay can't claim perfection, either. It allows a tiny leakage of current when it is in its "off" condition. And if it is exposed to voltage more than double its rated capacity, it may fail to shut off. But it is a true alternating current switch, will handle high power loads, and should be inexpensive to produce.

- **Third Electrode**—The chemical relay is based on a newly discovered phenomenon in one of the oldest fields of knowledge about electricity—electrochemistry.

For more than two centuries, beginning with a man named Volta, scientists have studied almost every facet of what happens when two electrodes are immersed in an electrolyte (a salt solution that conducts electricity). From these studies have come the storage battery and the basic methods of plating and refining metals. But until recently, no one tried to put a third electrode in the cell—somewhat analogous to De

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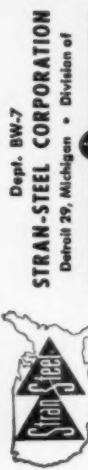
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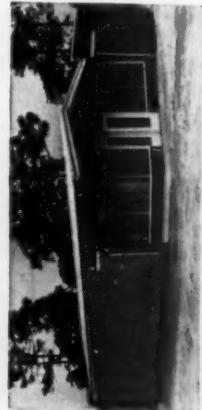
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STORY on p. 123

Forest's grid in a vacuum tube—to control the current flowing between the electrodes.

Stanford R. Ovshinsky, an electrochemist and president of Ovitron, made his first experiments in a fruit jar. He found that he could not pass alternating current between electrodes made of the rare metal tantalum, immersed in some electrolyte solutions. But he found that if he added a third electrode made of platinum, and charged it slightly positive (about 2 volts) with respect to the tantalum electrodes, the alternating current would flow freely between the electrodes through the electrolyte. When he cut off the d.c. charge, the cell went back to its non-conductive state. He had his switch.

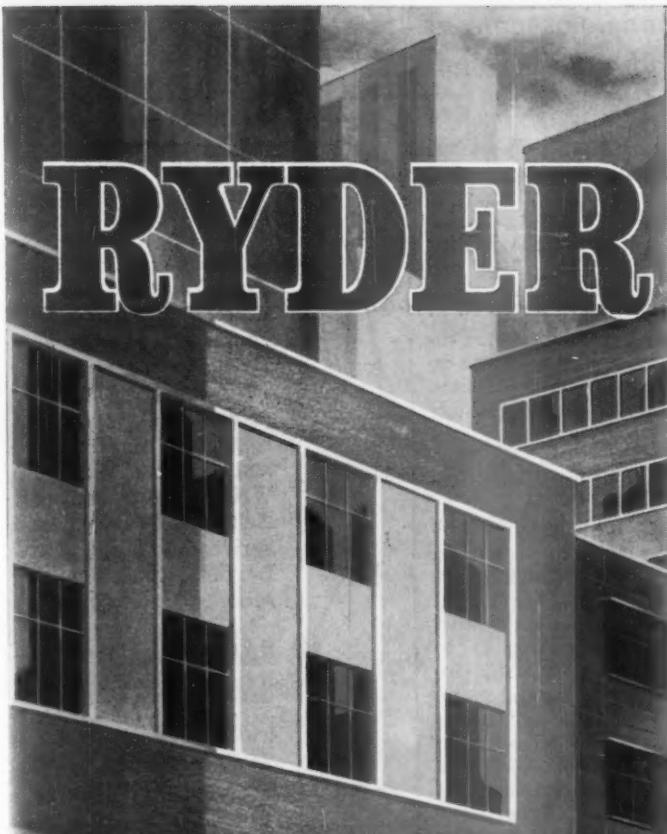
Ovshinsky still can't explain precisely what happens in his cell. He does know that the two main electrodes, when immersed in the electrolyte, become covered with a very thin oxide layer, which acts like an insulator. As long as the film remains intact, no current flows (except for the tiny leakage that is considered a problem in only a few uses). But for some reason, the insulating qualities of the film break down when the d.c. potential is introduced at the control electrode. It recovers almost instantaneously when the control current is turned off.

• **Into Production**—Ovshinsky's invention, covered by patents, impressed C. Robert Allen, III, who is associated with Wall Street's Allen & Co., which has had other experience with industrial companies. For example, it merged two companies to form American Bosch Arma Corp.

Allen set up Ovitron Corp. to manufacture the chemical relays for customers who already include a West Coast airplane company and one of the Big Three auto companies.

The first unit made available in sample quantities is rated at 70 volts, four amperes. About as big as a shot-glass. It's built to plug into the device to be controlled. Electrolyte and electrodes are sealed in an epoxy plastic container, so the liquid cannot evaporate. Tiny amounts of gas generated at the control electrode during operation pass through a gas-permeable, liquid-tight diaphragm, to be condensed and returned to the solution.

The d.c. current for the control electrode is obtained by drawing a small amount of the a.c. current through two small silicon rectifiers. A small push-



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"... one electromechanical relay can handle as many as a dozen load circuits simultaneously . . ."

STORY on page 123

button switch is all that's necessary to control it.

The unit has a temperature operating range from about 15 F to 300 F and is claimed to be insensitive to shock and vibration. It can stand a peak surge of up to 140 volts, double its rated capacity, before breaking down (that is, passing the a.c. current between the main electrodes when there is no d.c. signal on the control electrode).

• **Breaking In**—The Ovshinsky-Allen venture has to buck at least four established types of relay:

• The oldest, the electromechanical relay, still dominates the market and is still being improved by manufacturers such as Cutler-Hammer, Inc., and Allen-Bradley Co. These can't boast perfect reliability, but nothing up to now can touch them in cost or in handling large currents in a compact space. One such relay can handle as many as a dozen load circuits simultaneously; no static relay can handle more than one. Moreover, when an electromechanical relay opens a circuit, no current flows at all. All static relays allow some leakage.

• Magnetic amplifiers are offered by such companies as Westinghouse Electric Corp. (Cypak is the trade name), General Electric Co., and Magnetics, Inc. These are troubled by high cost. But they are in wide use for controlling machine tools and in many automatic control instrumentation set-ups in process plants and utilities.

• Transistor switches haven't been pushed hard in the few years since their practicability was proven. Transistor manufacturers have made little effort to promote packaged switches, and equipment builders have generally designed their own circuitry. However, one control builder, Square D Co., has quietly introduced transistor switching elements, known as transistor NOR units.

• Silicon controlled-rectifiers, announced by GE, Westinghouse, Radio Corp. of America, and others, are also used as switches. These are static, solid-state devices with a capacity for controlling extremely high currents within small physical size. However, they are rectifiers, changing a.c. to d.c. current, hence cannot switch a.c. loads directly. They are also sensitive to voltage surges.

Ovitron Corp. people aren't stopping at applying electrochemistry to the relay field. They feel their concept can be put to use eventually on amplifiers, circuit breakers and transducers. **END**

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More Flexibility in Debt Management

More heat than light has been apparent since the House Ways & Means Committee approved a bill that would lift the present arbitrary 4½% ceiling on the interest rate the government can pay on new issues of its bonds. Although the committee bill would give the Treasury substantially what it asked, there is now grave doubt that it will be passed, because the Administration and the Federal Reserve are taking strong objection to it.

The Administration's attitude is somewhat puzzling. For the committee gave the Administration what it most wanted—namely, greater freedom to conduct its debt management operations.

To be sure, the victory was limited, but many experts had been sure that the Administration was headed for total defeat. The Democratic majority in Congress is not in sympathy with any move toward higher interest rates; yet it acceded to the Administration's request for a lifting of the ceiling, adding the proviso that the President take responsibility for doing so and limiting this freedom to a period of two years.

These limitations do not seem too big a price to pay. Under present conditions, the Treasury has been severely handicapped. With the Federal Reserve pursuing an increasingly restrictive monetary policy, and with private borrowers stepping up their demands for credit, the Treasury has been completely frustrated, forced to confine itself to selling short-term obligations. This has not only proved costly but is also potentially inflationary.

The committee, headed by Rep. Wilbur Mills, recognized that failure to act would place the onus for the Treasury's plight on Congress. It decided to give the Treasury greater freedom but placed the responsibility squarely on the White House. Given the political realities, this is an understandable compromise.

But the President has objected both to the two-year limitation and to an additional amendment which suggests that the Federal Reserve should seek to assist the Treasury by more flexible open market operations when "consistent" with "administering a sound monetary policy."

This amendment has alarmed many faithful supporters of the Fed, who have interpreted it as an all-out attack on the independence of the central bank.

There is nothing in the amendment itself to support such an extreme view. It is, in fact, a very moderate statement. It does not seek the restoration of the pegged market that made the Fed an engine of inflation. It does not lessen the Fed's authority, nor does it strip it of the weapons it possesses. It merely points out that "it is the sense of Congress" that the Fed's open market operations should show greater flexibility.

The implication is plain that the committee feels the money managers have been unduly rigid in their insistence that in carrying out open market operations the Fed should deal only in bills and should never buy or sell the longer-term securities. Many observers who can be counted as good friends of the Fed share this opinion of the "bills only" doctrine. Allan Sproul, former president of the New York Federal Reserve bank, for example, recently criticized the money managers for their unwavering allegiance to orthodox "high church" policies. Sproul thinks that the Fed should assist the Treasury's debt operations whenever it appears necessary.

This is the practice followed by every other central bank in the Western world. Only the Fed has followed a "hands off" policy.

There is some hope that this attitude may be changing. The Fed is now at pains to point out that it really follows a "bills usually" policy rather than "bills only." If this is the case, it can certainly live with the committee's amendment as easily as the Treasury can.

Heart of the Problem

But some Fed supporters insist that Congress wants to curb the Fed's hard-won independence. It cannot be denied that Congressional critics have frequently accused the Fed of acting as a fourth branch of government, responsible and responsive to no one. For its part, the Fed has taken the position it must remain free of Administration pressure; otherwise, it will revert to its position as a handmaiden of the Treasury. It draws support for its position by arguing that its authority derives from Congress, not from the executive.

Now the committee is seeking to make the Fed responsive to Congress. It is not seeking to put the Fed in a subordinate position but is indicating that the Treasury's subordinate position should be replaced by something approaching equality.

We think there is merit in this position. The committee's solution is far from ideal, but even under the best of circumstances, it is doubtful that a perfect solution could be achieved. In recognizing that the U. S. Treasury deserves special treatment, the committee has hit at the heart of the matter.

The fact is that the national debt, which is close to \$290-billion, can have an enormous influence on our economic position. To handcuff the debt managers, to treat their problem as if it were the same as that of any private borrower, is to accept a doctrinaire and unrealistic approach. The Treasury must have freedom, and the Fed should provide as much support and cooperation as possible—consistent with carrying out its own policy. The committee's bill seeks to encourage it to do just that.

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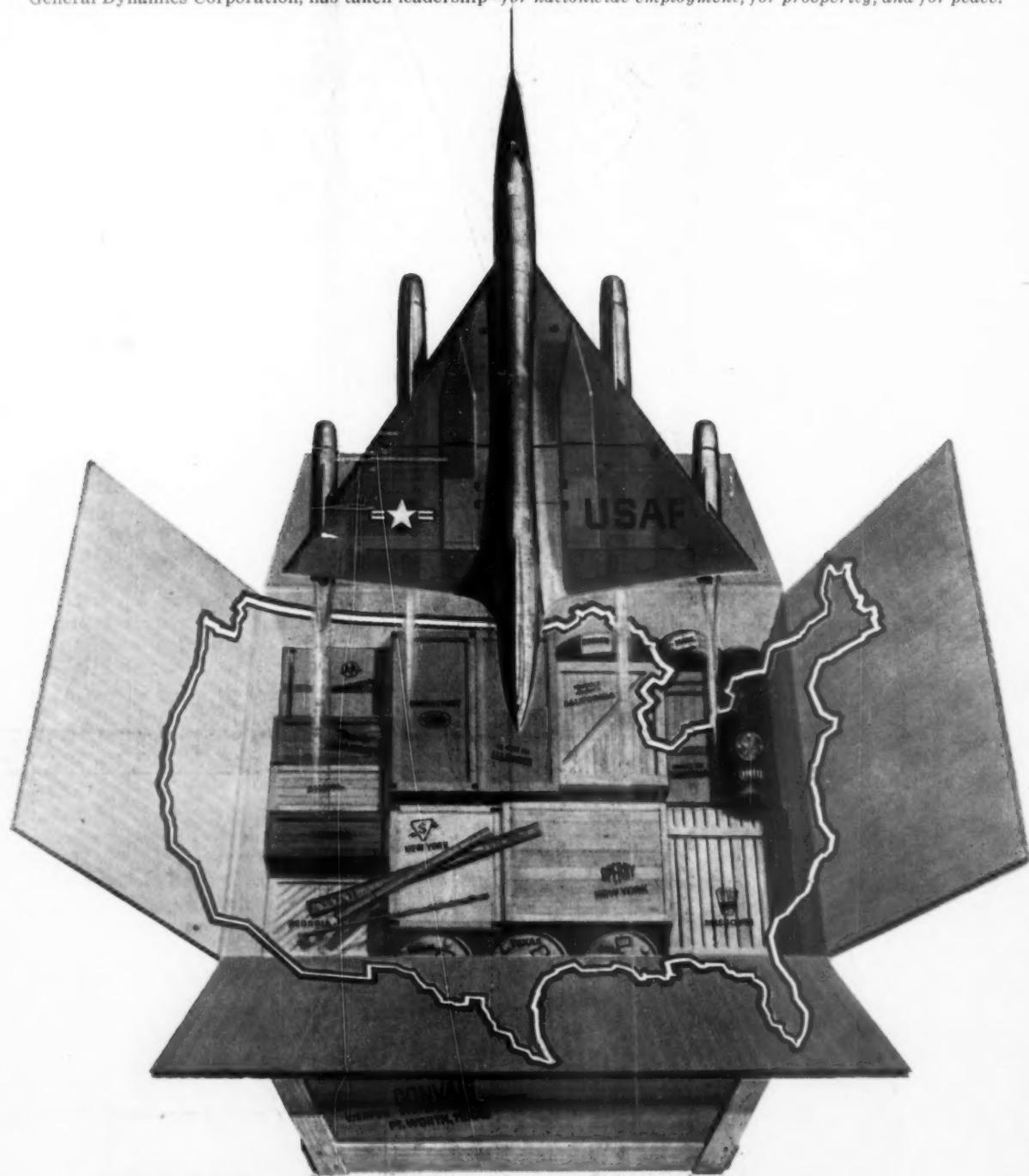
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